



Daughters of Charity Health System
Unaudited Financial Report and Utilization Statistics
For the Year Ended June 30, 2014

DAUGHTERS OF CHARITY HEALTH SYSTEM

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DAUGHTERS OF CHARITY HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE TWELVE MONTHS ENDED
June 30, 2014

The Daughters of Charity Health System (DCHS) is a California nonprofit religious corporation that operates as the parent organization of a health care system consisting of six acute care hospitals and other facilities (see list below) located in the State of California (collectively, the System). DCHS is sponsored by the Daughters of Charity of St. Vincent de Paul, a religious community of the Roman Catholic Church.

The System consists of DCHS* and the following:

- O'Connor Hospital*
- Saint Louise Regional Hospital*
- St. Francis Medical Center*
- St. Vincent Medical Center*
- Seton Medical Center*
- Seton Medical Center Coastside (a division of Seton Medical Center)*
- Caritas Business Services
- Marillac Insurance Company, Ltd.
- O'Connor Hospital Foundation
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center Foundation
- St. Vincent Medical Center Foundation
- Seton Health Services Foundation
- St. Vincent de Paul Ethics Corporation
- St. Vincent Dialysis Center
- DePaul Ventures, LLC
- DCHS Medical Foundation

* Member of the Obligated Group

DCHS is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

The financial information summarized herein represents consolidated financial information for DCHS, not financial information solely for the Obligated Group. This summarized financial information includes the operations of all Obligated Group Members, as well as the results of operations of other entities that are not Members of the Obligated Group. For the twelve months ended June 30, 2014, the entities that are not Members of the Obligated Group had revenues and investment income totaling \$80.6 million (after the elimination of \$33.4 million of inter-company revenues from Members of the Obligated Group) representing 5.7% of DCHS' consolidated revenues and investment income. Additional financial information pertaining to the entities that are not Members of the Obligated Group can be found in the accompanying unaudited financial statements.

The financial information for the twelve months ended June 30, 2014 is unaudited but includes all adjustments which DCHS management considers necessary to fairly present such information in accordance with accounting principles generally accepted in the United States of America. Operating results for the twelve months ended June 30, 2014 are not necessarily indicative of the results that may be expected in future periods.

CALIFORNIA HOSPITAL FEE PROGRAM

California legislation established a program that imposes a Quality Assurance Fee (QA Fee) on certain general acute-care hospitals in order to make supplemental and grant payments and increased capitation payments (Supplemental Payments) to hospitals up to the aggregate upper payment limit for various periods. There have been four such programs since inception (collectively, the “Programs”). The first two programs were the 21-month program (21-Month Program) covering the period April 1, 2009 to December 31, 2010, and the six-month program (Six-Month Program) covering the period January 1, 2011 to June 30, 2011. The third program was a 30-month program covering the period from July 1, 2011 to December 31, 2013 (the “30-Month Program”). The 30-Month Program was signed into law by the Governor of California in September 2011. The fourth program is a 3-year program covering the period from January 1, 2014 to December 31, 2016 (the “3-Year Program”). The Programs are designed to make supplemental inpatient and outpatient Medi-Cal payments to private hospitals, including additional payments for certain facilities that provide high-acuity care and trauma services to the Medi-Cal population. This hospital QA Fee program provides a mechanism for increasing payments to hospitals that serve Medi-Cal patients, with no impact on the state’s General Fund (GF). Payments are made directly by the state or Medi-Cal managed care plans, which will receive increased capitation rates from the state in amounts equal to the Supplemental Payments. Outside of the legislation, the California Hospital Association (CHA) has created a private program, operated by the California Health Foundation and Trust (CHFT), which was established to alleviate disparities potentially resulting from the implementation of the Programs.

For the twelve months ended June 30, 2013, DCHS recognized payments to the California Department of Health Care Services (DHCS) for the QA Fee in the amount of \$97.6 million and pledge payments to the CHFT of approximately \$4.9 million within purchased services and other expenses. DCHS recognized Supplemental Payment revenue for the twelve months ended June, 2013, in the amount of \$169.5 million pertaining to the 30-Month Program within net patient service revenues.

For the twelve months ended June 30, 2014, DCHS recognized payments to the California Department of Health Care Services (DHCS) for the QA Fee in the amount of \$33.4 and pledge payments to the CHFT of approximately \$1.6 million within purchased services and other expenses. DCHS recognized Supplemental Payment revenue for the twelve months ended June 30, 2014, in the amount of \$49.6 million pertaining to the 30-Month Program within net patient service revenues. CMS approval of the remaining six months of the managed care program covering the period of July 1, 2013 through December 31, 2013 has not been received.

The fourth program was signed into law by the Governor of California in October 2013 (SB239) and covers the period from January 1, 2014 through December 31, 2016. The 3-Year Program is subject to review and approval by CMS. DCHS estimates its share of the 3-Year Hospital Fees supplemental funds to be a net amount of \$302 million. Recognition of amounts related to this

program in the consolidated statement of operations and changes in net assets will be deferred until final approval from CMS is obtained.

OTHER EVENTS

Daughters of Charity Health System –Solicitation for Acquisition

On January 13, 2014, the DCHS Board of Directors announced its decision to solicit proposals from Catholic, public, non-profit and for-profit organizations to purchase DCHS hospitals individually or the health system in its entirety. DCHS engaged Houlihan Lokey to serve as the primary investment bank to facilitate the transaction process. At this time the transaction process is ongoing, with a number of potential buyers currently conducting due diligence. There is no timeline for the closing of a transaction and DCHS cannot provide any assurance that any such transaction will be consummated.

Additionally, DCHS announced none of its hospitals or other entities would merge with Ascension Health. Ascension Health does not and will not have any financial responsibility for DCHS or any of DCHS' other entities.

Redemption of Series 2008A Bonds

In October 2013, the Daughters of Charity Foundation (DOCF), an organization separate and independent from DCHS, made a restricted donation of \$130.0 million for the benefit of DCHS by depositing sufficient funds with the bond trustee to redeem the \$143.7 million principal amount of the California Statewide Development Authority Revenue Bonds Series 2008A Bonds. The Series 2008A Bonds were redeemed at par on October 25, 2013. The Series 2008A Bonds included a debt service reserve fund of \$13.7 million, which was released as part of the redemption.

VOLUMES

Patient discharges for the twelve months ended June 30, 2014 decreased 4.4% as compared to the same period of the prior year. Adjusted discharges for the twelve months ended June 30, 2014 decreased 1.1% compared to the same period of the prior year.

Total deliveries decreased 0.7% during the twelve months ended June 30, 2014 as compared to the same period of the prior year.

Inpatient surgeries for the twelve months ended June 30, 2014 decreased 0.4% as compared to the same period of the prior year. Outpatient surgeries for the twelve months ended June 30, 2014 were comparable to the same period of the prior year.

Emergency department visits for the twelve months ended June 30, 2014 increased 4.6% from the same period of the prior year.

REVENUES

Net Patient Service Revenue Less Provision for Bad Debts

Net patient service revenue of \$1,093.4 million for the twelve months ended June 30, 2014 represents a net decrease of \$137.4 million or 11.2% as compared to the same period of the prior year. Net patient service revenue during the twelve months ended June 30, 2014 included \$45.1 million in net patient service revenue from the DCHS Medical Foundation as compared to \$33.4 million for the twelve months ended June 30, 2013, and was also impacted by a

decrease of \$119.9 million in Hospital Fee Program revenue. Net patient service revenue per adjusted discharge (excluding premium revenue, other revenue, contributions and investment earnings) of \$14,370 for the twelve months ended June 30, 2014 decreased 10.2% as compared to the same period of the prior year.

Premium Revenues, Other Revenues, and Contributions

Premium and other revenues of \$143.9 million for the twelve months ended June 30, 2014 increased \$49.0 million or 51.6% from the same period of the prior year and includes \$35.7 million in premium and other revenue from the DCHS Medical Foundation as compared to \$25.9 million related to the DCHS Medical Foundation for the twelve months ended June 30, 2013. Contributions of \$157.7 million during the twelve months ended June 30, 2014 include \$130.0 million related to a donation from the Daughters of Charity Foundation, a separate and independent organization, for the redemption of the Series 2008A Bonds.

Investment Earnings

For the twelve months ended June 30, 2014, investment earnings totaled \$16.3 million compared to earnings of \$16.2 million during the same period of the prior year. DCHS includes both realized and unrealized gains/losses as part of investment income. The majority of DCHS' investments were held in a pooled investment fund administered by Ascension Investment Management in its Alpha Fund through the end of December 31, 2013. Beginning January 1, 2014, DCHS moved a majority of its investments in the Alpha Fund to short term liquid funds, such as cash and cash equivalents. The remaining portion of long term investments is invested in Ascension's Investment Management Alpha Fund as of June 30, 2014. DCHS invests in cash, equity securities, U.S. federal and corporate obligations, and alternative investments. The alternative investments consist primarily of forward contracts, private equity investments, real estate investments, and hedge funds.

EXPENSES

Total Operating Expenses

Total operating expenses of \$1,410.7 million for the twelve months ended June 30, 2014 represents a decrease of \$22.6 million or 1.6% as compared to the same period of the prior year. The net decrease in operating expenses was due in part to the inclusion of \$111.1 million in operating expenses from the DCHS Medical Foundation as compared to \$75.7 million during the twelve months ended June 30, 2013, and a decrease of \$64.2 million in Hospital Fee Program expenses. Total expense per adjusted discharge of \$18,539 for the twelve months ended June 30, 2014 decreased .5% as compared to the same period of the prior year.

Salaries, Wages, and Benefits

Salaries, wages and benefits (SWB) expense of \$805.1 million for the twelve months ended June 30, 2014 increased \$21.5 million or 2.7% as compared to the same period of the prior year. The increase in SWB expense was due in part to the inclusion of \$64.8 million in SWB expense from the DCHS Medical Foundation as compared to \$44.7 million during the twelve months ended June 30, 2013. SWB as a percent of net patient revenue (including premium revenue) for the twelve months ended June 30, 2014 was 73.6%, which was above the 63.7% for the same period of the prior year.

Supplies

Supplies expense of \$172.3 million for the twelve months ended June 30, 2014 is an increase of \$2.1 million or 1.2% from the prior year. The increase in supplies expense was due in part to the inclusion of \$8.6 million in supplies expense from the DCHS Medical Foundation as compared to \$6.4 million during the twelve months ended June 30, 2013. Supplies expense as a percent of net patient revenue for the twelve months ended June 30, 2014 was 15.8%, which is above the 13.8% for the twelve months ended June 30, 2013.

Purchased Services/Other

Purchased services and other expenses for the twelve months ended June 30, 2014 of \$348.1 million decreased \$45.5 million or 11.6% as compared to the same period of the prior year. The net decrease in purchased services was due in part to the inclusion of \$34.4 million in purchased services from the DCHS Medical Foundation as compared to \$22.5 million during the twelve months ended June 30, 2013, and a decrease of \$64.2 million in Hospital Fee Program expenses.

Depreciation Expense

Depreciation expense of \$65.8 million for the twelve months ended June 30, 2014 is an increase of \$5.3 million or 8.9% as compared to the same period of the prior year.

Interest Expense - Net

Interest expense of \$19.4 million for the twelve months ended June 30, 2014 is a decrease of \$6.0 million or 23.6% as compared to the same period of the prior year.

RESULTS FROM OPERATIONS

Operating Income

For the twelve months ended June 30, 2014, DCHS recorded an operating loss of \$15.6 million (including contributions), equating to a negative operating margin of 1.1%. This compares to an operating loss of \$90.7 million and a negative operating margin of 6.8% for the same period of the prior year. The operating loss for the twelve months ended June 30, 2014 and June 30, 2013 included \$16.2 million and \$71.9 million of income related to the Hospital Fee Program, respectively. Operating performance was unfavorably impacted during the twelve months ended June 30, 2014 by reduced patient volumes, financially unfavorable payer mix changes, lower than historical reimbursement rate increases, and losses related to the DCHS Medical Foundation. For twelve months ended June 30, 2014, operating performance was positively impacted by a \$130.0 million donation from the Daughters of Charity Foundation.

Excess of Revenues Over Expenses (Net Income)

For the twelve months ended June 30, 2014, DCHS recorded a net gain of \$0.7 million, equating to a net margin of 0.05%. The net loss for the twelve months ended June 30, 2013 was \$74.5 million.

FINANCIAL POSITION

Liquidity

Total cash and marketable securities of \$187.2 million as of June 30, 2014 reflect a decrease of \$82.8 million from June 30, 2013. Total unrestricted cash and marketable securities decreased to \$113.5 million as of June 30, 2014 compared to \$188.1 million as of June 30, 2013, while unrestricted days cash on hand decreased to 30.8 days as of June 30, 2014 compared to 50.0 days as of June 30, 2013.

The following table summarizes DCHS' cash position:

	As of June 30, 2013 (\$'s in 000's)	As of June 30, 2014 (\$'s in 000's)
Cash and Cash Equivalents	\$93,637	\$100,897
Marketable Securities	176,375	86,292
Subtotal	270,012	187,189
Less: Restricted Portion of Cash and Marketable Securities	81,902	73,736
Total Unrestricted Cash and Marketable Securities	\$188,110	\$113,453
Unrestricted Days Cash on Hand	50.0	30.8

Patient Accounts Receivable

Net patient accounts receivable of \$163.6 million as of June 30, 2014 is an increase of \$9.7 million or 6.3% from June 30, 2013. Days in net patient accounts receivable increased to 54.6 days as of June 30, 2014 compared to 45.6 days as of June 30, 2013.

Long-Term Debt

Net of current portion, long-term debt as of June 30, 2014 was \$289.9 million. Net of current portion, long-term debt as of June 30, 2013 was \$437.3 million. The reduction in long-term debt of \$147.4 million during the twelve months ended June 30, 2014 reflects the redemption of the \$143.7 million Series 2008A bonds in October 2013, the net impact of principal payments, amortization of bond premiums, and the change in current portion of long-term debt. Additionally, in September 2013, the Daughters of Charity Foundation (DOCF), an organization separate and independent from DCHS, informed DCHS that it had forgiven the outstanding balance of \$12.4 million on a note payable owed to DOCF by DCHS.

SUBSEQUENT EVENT

On July 30, 2014, DCHS borrowed \$110,000,000 from the California Statewide Development Corporation in two series of bonds: the \$100,000,000 California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2014A ("2014 Series A Bonds") and the \$10,000,000 California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2014 B ("2014 Series B Bonds"). DCHS expects to borrow another \$15,000,000 pursuant to a 2014 Series C Bond

issue (collectively “the Series 2014 Bonds”). The Series 2014 Bonds will be supported by Obligations issued pursuant to the DCHS Master Trust Indenture dated as of December 1, 2001.

The Series 2014 Bonds are secured by: (1) a first priority lien on the accounts receivable of St. Francis Medical Center, St. Vincent Medical Center, O’Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center and Seton Coastside as a division of Seton Medical Center; and (2) first priority Deeds of Trust and related Subordination Agreements with the Master Trustee on certain property of St. Francis Medical Center and Saint Louise Regional Hospital (collectively the “2014 Priority Assets”). The Master Trustee has subordinated its interest in the 2014 Priority Assets to the Series 2014 Bond Trustee. The Series 2014 Bonds are also secured by a parity lien under the master indenture.

Inclusive of the Series 2014 Bonds, DCHS expects to have total pro forma outstanding debt of \$420.9 million. The Series 2014 Bonds have a maturity date of July 10, 2015 and will be recorded as current liabilities on the DCHS balance sheet.

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF JUNE 30, 2014
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$86,080	\$13,896	-	\$99,976
Interest in pooled investment fund - short-term	7	914	-	921
Subtotal	\$86,087	\$14,810	-	\$100,897
Net patient accounts receivable	156,175	7,394	-	163,569
Due from government agencies	21,051	-	-	21,051
Due from related organizations	30,947	1,856	(32,803)	-
Other current assets	35,070	16,486	(3,847)	47,709
Total current assets	329,330	40,546	(36,650)	333,226
ASSETS LIMITED AS TO USE:				
Interest in pooled investment fund - long-term	11,364	15,518	-	26,882
Other investments	1,874	57,536	-	59,410
Under bond indenture agreements	26,133	-	-	26,133
Total assets limited as to use	39,371	73,054	-	112,425
PROPERTY AND EQUIPMENT, Net	331,737	7,757	-	339,494
OTHER LONG-TERM ASSETS	7,648	17,007	-	24,655
TOTAL ASSETS	\$708,086	\$138,364	(\$36,650)	\$809,800
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$51,386	\$5,315	-	\$56,701
Current portion of long-term debt	5,977	-	-	5,977
Due to government agencies	11,006	-	-	11,006
Accrued liabilities/other	108,803	8,076	25	116,904
Due to related organizations	1,856	30,947	(32,803)	-
Total current liabilities	179,028	44,338	(32,778)	190,588
OTHER LIABILITIES				
Pension and other long-term liabilities	243,973	37,489	(3,872)	277,590
OTHER LIABILITIES	243,973	37,489	(3,872)	277,590
LONG-TERM DEBT, Net of current portion	288,922	1,006	-	289,928
Total liabilities	711,923	82,833	(36,650)	758,106
NET ASSETS:				
Unrestricted	(8,041)	22,517	-	14,476
Temporarily restricted	1,245	26,819	-	28,064
Permanently restricted	2,959	6,195	-	9,154
Total net assets	(3,837)	55,531	-	51,694
TOTAL LIABILITIES AND NET ASSETS	\$708,086	\$138,364	(\$36,650)	\$809,800

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - AUDITED
AS OF JUNE 30, 2013
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$10,632	\$20,527	-	\$31,159
Interest in pooled investment fund - short-term	60,709	1,769	-	62,478
Subtotal	\$71,341	\$22,296	-	\$93,637
Net patient accounts receivable	148,650	5,201	-	153,851
Due from government agencies	22,336	-	-	22,336
Due from related organizations	28,744	1,663	(30,407)	-
Other current assets	105,363	17,661	(3,670)	119,354
Total current assets	376,434	46,821	(34,077)	389,178
ASSETS LIMITED AS TO USE:				
Interest in pooled investment fund - long-term	99,007	13,875	-	112,882
Other investments	1,682	61,811	-	63,493
Under bond indenture agreements	40,859	-	-	40,859
Total assets limited as to use	141,548	75,686	-	217,234
PROPERTY AND EQUIPMENT, Net	361,059	8,471	-	369,530
OTHER LONG-TERM ASSETS	9,864	14,323	-	24,187
TOTAL ASSETS	\$888,905	\$145,301	(\$34,077)	\$1,000,129
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$35,468	\$1,766	-	\$37,234
Current portion of long-term debt	19,964	2,950	-	22,914
Due to government agencies	20,163	-	-	20,163
Accrued liabilities/other	124,201	13,083	(2)	137,282
Due to related organizations	1,663	28,744	(30,407)	-
Total current liabilities	201,459	46,543	(30,409)	217,593
OTHER LIABILITIES				
Pension and other long-term liabilities	243,051	41,891	(3,686)	281,256
OTHER LIABILITIES	243,051	41,891	(3,686)	281,256
LONG-TERM DEBT, Net of current portion	437,193	150	-	437,343
Total liabilities	881,703	88,584	(34,095)	936,192
NET ASSETS:				
Unrestricted	(6,699)	27,349	18	20,668
Temporarily restricted	11,128	22,861	-	33,989
Permanently restricted	2,773	6,507	-	9,280
Total net assets	7,202	56,717	18	63,937
TOTAL LIABILITIES AND NET ASSETS	\$888,905	\$145,301	(\$34,077)	\$1,000,129

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
UNRESTRICTED REVENUES AND OTHER SUPPORT:				
Net patient service revenue	\$1,086,954	\$49,765	-	\$1,136,719
Provision and write-off for doubtful accounts	(43,205)	(77)	-	(\$43,282)
Net patient service revenue less provision and write off for doubtful accounts	1,043,749	49,688	-	1,093,437
Premium revenue	50,387	32,911	-	83,298
Other revenue	62,289	31,752	(33,422)	60,619
Contributions	156,921	774	-	157,695
Total unrestricted revenues and other support	1,313,346	115,125	(33,422)	1,395,049
EXPENSES:				
Salaries and benefits	734,917	83,994	(13,834)	805,077
Supplies	162,343	10,120	(117)	172,346
Purchased services and other	317,514	49,883	(19,311)	348,086
Depreciation	62,502	3,432	(148)	65,786
Interest, net	19,355	-	-	19,355
Total expenses	1,296,631	147,429	(33,410)	1,410,650
OPERATING INCOME (LOSS)	16,715	(32,304)	(12)	(15,601)
INVESTMENT INCOME (LOSS)	17,411	3,910	(5,006)	16,315
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$34,126	(\$28,394)	(\$5,018)	\$714
Net unrealized gains on investments	-	(9)	-	(9)
Net assets released from restrictions used for purchase of property and equipment	1,319	-	-	1,319
Change in pension obligations	(8,564)	-	-	(8,564)
Other	(28,223)	23,573	5,000	350
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(1,342)	(4,830)	(18)	(6,190)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	130,162	8,281	-	138,443
Net realized and unrealized gains on investments	-	414	-	414
Net assets released from restrictions:				
Operations	(140,043)	(3,899)	-	(143,942)
Property, plant and equipment	(7)	(1,312)	-	(1,319)
Other	6	474	-	480
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(9,882)	3,958	-	(5,924)
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	-	-	-	-
Net realized and unrealized gains on investments	186	168	-	354
Net assets released from restrictions:				
Operations	-	-	-	-
Property, plant and equipment	-	-	-	-
Other	-	(480)	-	(480)
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	186	(312)	-	(126)
INCREASE (DECREASE) IN NET ASSETS	(11,038)	(1,184)	(18)	(12,240)
NET ASSETS AS OF JUNE 30, 2013	7,201	\$56,715	\$18	\$63,934
NET ASSETS AS OF JUNE 30, 2014	(\$3,837)	\$55,531	-	\$51,694

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - AUDITED
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
UNRESTRICTED REVENUES AND OTHER SUPPORT:				
Net patient service revenue	\$1,313,522	\$39,189	-	\$1,352,711
Provision and write-off for doubtful accounts	(121,836)	-	-	(121,836)
Net patient service revenue less provision and write off for doubtful accounts	1,191,686	39,189	-	1,230,875
Premium revenue	41,612	23,877	-	65,489
Other revenue	30,244	30,662	(31,473)	29,433
Contributions	15,089	1,634	-	16,723
Total unrestricted revenues and other support	1,278,631	95,362	(31,473)	1,342,520
EXPENSES:				
Salaries and benefits	733,005	64,294	(13,713)	783,586
Supplies	162,449	7,988	(176)	170,261
Purchased services and other	371,144	39,854	(17,382)	393,616
Depreciation	58,306	2,378	(245)	60,439
Interest, net	25,336	-	-	25,336
Total expenses	1,350,240	114,514	(31,516)	1,433,238
OPERATING INCOME (LOSS)	(71,609)	(19,152)	43	(90,718)
INVESTMENT INCOME (LOSS)	20,894	1,383	(6,025)	16,252
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$50,715)	(\$17,769)	(\$5,982)	(\$74,466)
Net unrealized gains on investments	-	38	-	38
Net assets released from restrictions used for purchase of property and equipment	2,572	(1,324)	-	1,248
Change in pension obligations	32,582	-	-	32,582
Other	(26,516)	21,006	6,000	490
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(42,077)	1,951	18	(40,108)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	10,249	7,551	-	17,800
Net realized and unrealized gains on investments	-	294	-	294
Net assets released from restrictions:				
Operations	(11,506)	(4,077)	-	(15,583)
Property, plant and equipment	(293)	(955)	-	(1,248)
Other	5	(746)	-	(741)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(1,545)	2,067	-	522
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	-	-	-	-
Net realized and unrealized gains on investments	124	14	-	138
Net assets released from restrictions:				
Operations	-	-	-	-
Property, plant and equipment	-	-	-	-
Other	-	278	-	278
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	124	292	-	416
INCREASE (DECREASE) IN NET ASSETS	(43,498)	4,310	18	(39,170)
NET ASSETS AS OF JUNE 30, 2012	50,700	\$52,407	-	\$103,107
NET ASSETS AS OF JUNE 30, 2013	\$7,202	\$56,717	\$18	\$63,937

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)**

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	(\$11,038)	(\$1,184)	(\$18)	(\$12,240)
Depreciation	62,502	3,432	(148)	65,786
Provision for doubtful accounts	43,205	77	-	43,282
Patient accounts receivable	(50,730)	(2,270)	-	(53,000)
Due to/from government agencies	(7,872)	-	-	(7,872)
Due to/from related organizations	(2,010)	2,010	-	-
Other current assets	70,293	1,175	177	71,645
Other long-term assets	2,217	(2,684)	-	(467)
Accounts payable	15,918	3,549	-	19,467
Accrued liabilities/other	(15,398)	(5,009)	27	(20,380)
Pension and other long-term liabilities	922	(4,401)	(186)	(3,665)
Total operating cash flows	108,009	(5,305)	(148)	102,556
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	(192)	4,273	-	4,081
Change in assets under bond indenture agreements	14,726	-	-	14,726
Change in interest in pooled investment fund - short-term	60,702	855	-	61,557
Change in interest in pooled investment fund - long-term	87,643	(1,643)	-	86,000
Additions to property and equipment	(33,180)	(2,718)	148	(35,750)
Total investing cash flows	129,699	767	148	130,614
CASH FLOWS FROM FINANCING ACTIVITIES				
Long-term debt	(162,260)	(2,094)	-	(164,354)
Total financing cash flows	(162,260)	(2,094)	-	(164,354)
NET INCREASE (DECREASE) IN CASH	75,448	(6,632)	-	68,816
CASH AS OF JUNE 30, 2013	10,632	20,528	-	31,160
CASH AS OF JUNE 30, 2014	\$86,080	\$13,896	-	\$99,976

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - AUDITED
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	(\$43,498)	\$4,310	\$18	(\$39,170)
Depreciation	58,306	2,378	(245)	60,439
Provision for doubtful accounts	121,836	-	-	121,836
Patient accounts receivable	(114,797)	(1,798)	-	(116,595)
Due to/from government agencies	(1,896)	-	-	(1,896)
Due to/from related organizations	(1,780)	3,095	(1,315)	-
Other current assets	25,220	(5,586)	1,417	21,051
Other long-term assets	41	(2,833)	-	(2,792)
Accounts payable	10,118	653	-	10,771
Accrued liabilities/other	(22,316)	(9,488)	(11)	(31,815)
Pension and other long-term liabilities	(32,444)	2,380	(109)	(30,173)
Total operating cash flows	(1,210)	(6,889)	(245)	(8,344)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	(73)	5,752	-	5,679
Change in assets under bond indenture agreements	994	-	-	994
Change in interest in pooled investment fund - short-term	9,603	778	-	10,381
Change in interest in pooled investment fund - long-term	57,355	(790)	-	56,565
Additions to property and equipment	(51,744)	(4,234)	245	(55,733)
Total investing cash flows	16,135	1,506	245	17,886
CASH FLOWS FROM FINANCING ACTIVITIES				
Long-term debt	(11,153)	(2,100)	-	(13,253)
Total financing cash flows	(11,153)	(2,100)	-	(13,253)
NET INCREASE (DECREASE) IN CASH	3,772	(7,483)	-	(3,711)
CASH AS OF JUNE 30, 2012	6,860	28,010	-	34,870
CASH AS OF JUNE 30, 2013	\$10,632	\$20,527	-	\$31,159

DAUGHTERS OF CHARITY HEALTH SYSTEM
UTILIZATION STATISTICS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2013 AND 2014

	O'Connor Hospital		Saint Louise Regional Hospital		St. Francis Medical Center		St. Vincent Medical Center		Seton Medical Center		Seton Medical Center Coastside		DCHS Total	
	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014
Total Licensed Beds	358	358	93	93	384	384	366	366	357	357	121	121	1,679	1,679
Total Available Beds	281	282	93	93	382	382	366	366	307	294	121	121	1,550	1,538
Total Discharges	11,751	10,971	3,021	3,044	18,957	18,850	9,213	8,244	7,125	6,755	101	86	50,168	47,950
Total Patient Days	52,175	49,663	11,026	10,550	87,944	87,676	52,946	47,942	47,479	46,805	38,782	37,382	290,352	280,018
Acute Licensed Beds	334	334	72	72	314	314	320	320	274	274	5	5	1,319	1,319
Acute Available Beds	257	258	72	72	312	312	253	253	224	250	5	5	1,123	1,150
Acute Discharges	11,725	10,947	3,021	3,044	16,738	16,329	8,156	7,223	7,080	6,717	0	0	46,720	44,260
Acute Patient Days	44,952	41,747	11,026	10,550	70,073	69,665	38,869	34,634	33,687	33,039	0	0	198,607	189,635
Acute Average Length of Stay	3.83	3.81	3.65	3.47	4.19	4.27	4.77	4.79	4.76	4.92	0.00	0.00	4.25	4.28

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF JUNE 30, 2014
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$1,592	\$2,758	\$38,936	\$2,822	\$7,347	\$65	\$32,560
Interest in pooled investment fund - short-term	-	-	5	-	2	-	-
Subtotal	\$1,592	\$2,758	\$38,941	\$2,822	\$7,349	\$65	\$32,560
Net patient accounts receivable	31,789	11,891	55,094	23,441	31,260	2,700	-
Due from government agencies	1,848	356	13,405	4,632	810	-	-
Due from related organizations	8,420	5,694	143,348	13,266	16,600	156	3,287
Other current assets	6,747	1,632	10,359	7,743	4,460	136	3,993
Total current assets	50,396	22,331	261,147	51,904	60,479	3,057	39,840
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	200	278	3,447	6,190	323	-	926
Other investments	-	-	-	1,874	-	-	-
Under bond indenture agreements	-	-	-	-	-	-	26,133
Total assets limited as to use	200	278	3,447	8,064	323	-	27,059
PROPERTY AND EQUIPMENT, Net	55,019	24,090	125,948	79,647	44,886	2,002	145
OTHER LONG-TERM ASSETS	113	459	236	1,105	37	2	5,696
TOTAL ASSETS	\$105,728	\$47,158	\$390,778	\$140,720	\$105,725	\$5,061	\$72,740
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$11,139	\$2,537	\$8,799	\$9,927	\$9,131	\$141	\$9,712
Current portion of long-term debt	784	365	3,414	675	739	-	-
Due to government agencies	1,067	425	1,355	7,172	390	597	-
Accrued liabilities/other	25,619	6,860	36,040	17,745	19,028	1,525	1,986
Due to related organizations	23,102	34,253	400	71,972	17,284	14,669	-
Total current liabilities	61,711	44,440	50,008	107,491	46,572	16,932	11,698
OTHER LIABILITIES							
Pension and other long-term liabilities	57,055	6,726	85,023	69,484	2,988	166	22,531
Total other liabilities	57,055	6,726	85,023	69,484	2,988	166	22,531
LONG-TERM DEBT, Net of current portion	56,005	30,596	79,114	56,545	61,912	-	4,750
Total liabilities	174,771	81,762	214,145	233,520	111,472	17,098	38,979
NET ASSETS:							
Unrestricted	(69,043)	(34,604)	176,548	(96,919)	(5,747)	(12,037)	33,761
Temporarily restricted	-	-	85	1,160	-	-	-
Permanently restricted	-	-	-	2,959	-	-	-
Total net assets	(69,043)	(34,604)	176,633	(92,800)	(5,747)	(12,037)	33,761
TOTAL LIABILITIES AND NET ASSETS	\$105,728	\$47,158	\$390,778	\$140,720	\$105,725	\$5,061	\$72,740

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF JUNE 30, 2014
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	-	\$86,080	\$6,777	\$2,186	\$4,933	-	\$99,976
Interest in pooled investment fund - short-term	-	7	-	1	913	-	\$921
Subtotal	-	\$86,087	\$6,777	\$2,187	\$5,846	-	\$100,897
Net patient accounts receivable	-	156,175	-	-	7,394	-	\$163,569
Due from government agencies	-	21,051	-	-	-	-	\$21,051
Due from related organizations	(159,824)	30,947	-	1,350	506	(32,803)	-
Other current assets	-	35,070	4,301	150	12,035	(3,847)	\$47,709
Total current assets	(159,824)	329,330	11,078	3,687	25,781	(36,650)	333,226
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	-	11,364	-	-	15,518	-	26,882
Other investments	-	1,874	42,950	-	14,586	-	59,410
Under bond indenture agreements	-	26,133	-	-	-	-	26,133
Total assets limited as to use	-	39,371	42,950	-	30,104	-	112,425
PROPERTY AND EQUIPMENT, Net	-	331,737	-	418	7,339	-	339,494
OTHER LONG-TERM ASSETS	-	7,648	-	120	16,887	-	24,655
TOTAL ASSETS	(159,824)	\$708,086	\$54,028	\$4,225	\$80,111	(36,650)	\$809,800
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	-	\$51,386	-	\$60	\$5,255	-	\$56,701
Current portion of long-term debt	-	5,977	-	-	-	-	5,977
Due to government agencies	-	11,006	-	-	-	-	11,006
Accrued liabilities/other	-	108,803	166	1,985	5,925	25	116,904
Due to related organizations	(159,824)	1,856	-	56	30,891	(32,803)	-
Total current liabilities	(159,824)	179,028	166	2,101	42,071	(32,778)	190,588
OTHER LIABILITIES							
Pension and other long-term liabilities	-	243,973	37,159	-	330	(3,872)	277,590
Total other liabilities	-	243,973	37,159	-	330	(3,872)	277,590
LONG-TERM DEBT, Net of current portion	-	288,922	-	-	1,006	-	289,928
Total liabilities	(159,824)	711,923	37,325	2,101	43,407	(36,650)	758,106
NET ASSETS:							
Unrestricted	-	(8,041)	16,703	2,124	3,690	-	14,476
Temporarily restricted	-	1,245	-	-	26,819	-	28,064
Permanently restricted	-	2,959	-	-	6,195	-	9,154
Total net assets	-	(3,837)	16,703	2,124	36,704	-	51,694
TOTAL LIABILITIES AND NET ASSETS	(159,824)	\$708,086	\$54,028	\$4,225	\$80,111	(36,650)	809,800

(concluded)

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - AUDITED
AS OF JUNE 30, 2013
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$9,336	\$1,714	(\$2,886)	(\$417)	\$3,181	(\$61)	(\$235)
Interest in pooled investment fund - short-term	14,128	819	30,765	3,852	6,791	-	4,354
Subtotal	\$23,464	\$2,533	\$27,879	\$3,435	\$9,972	(\$61)	\$4,119
Net patient accounts receivable	34,423	10,260	45,081	24,007	32,069	2,810	-
Due from government agencies	2,625	123	13,294	5,252	1,042	-	-
Due from related organizations	8,144	6,991	64,840	14,213	22,058	4,000	49,007
Other current assets	14,424	4,917	39,228	13,005	11,191	130	22,468
Total current assets	83,080	24,824	190,322	59,912	76,332	6,879	75,594
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	9,850	249	82,256	5,535	289	-	828
Other investments	-	-	-	1,682	-	-	-
Under bond indenture agreements	-	-	-	-	-	-	40,859
Total assets limited as to use	9,850	249	82,256	7,217	289	-	41,687
PROPERTY AND EQUIPMENT, Net	58,379	27,957	138,650	80,844	48,675	2,176	4,378
OTHER LONG-TERM ASSETS	2,094	704	143	1,246	33	2	5,642
TOTAL ASSETS	\$153,403	\$53,734	\$411,371	\$149,219	\$125,329	\$9,057	\$127,301
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$5,278	\$910	\$4,663	\$6,450	\$5,241	\$78	\$12,848
Current portion of long-term debt	1,090	565	3,545	1,044	1,143	-	12,577
Due to government agencies	620	3,890	3,683	9,163	2,256	551	-
Accrued liabilities/other	26,678	8,035	37,759	21,893	23,244	1,660	4,932
Due to related organizations	10,268	25,703	13,989	47,796	14,791	16,776	12,849
Total current liabilities	43,934	39,103	63,639	86,346	46,675	19,065	43,206
OTHER LIABILITIES							
Pension and other long-term liabilities	58,116	6,663	83,717	68,583	2,782	150	23,040
Total other liabilities	58,116	6,663	83,717	68,583	2,782	150	23,040
LONG-TERM DEBT, Net of current portion	82,386	46,465	109,681	85,873	94,024	-	18,764
Total liabilities	184,436	92,231	257,037	240,802	143,481	19,215	85,010
NET ASSETS:							
Unrestricted	(32,421)	(39,417)	152,083	(96,513)	(18,564)	(14,158)	42,291
Temporarily restricted	1,388	920	2,251	2,157	412	4,000	-
Permanently restricted	-	-	-	2,773	-	-	-
Total net assets	(31,033)	(38,497)	154,334	(91,583)	(18,152)	(10,158)	42,291
TOTAL LIABILITIES AND NET ASSETS	\$153,403	\$53,734	\$411,371	\$149,219	\$125,329	\$9,057	\$127,301

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - AUDITED
AS OF JUNE 30, 2013
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	-	\$10,632	\$11,162	\$1,414	\$7,951	-	\$31,159
Interest in pooled investment fund - short-term	-	60,709	-	928	841	-	\$62,478
Subtotal	-	\$71,341	\$11,162	\$2,342	\$8,792	-	\$93,637
Net patient accounts receivable	-	148,650	-	-	5,201	-	153,851
Due from government agencies	-	22,336	-	-	-	-	22,336
Due from related organizations	(140,509)	28,744	-	1,298	365	(30,407)	-
Other current assets	-	105,363	9,213	169	8,279	(3,670)	119,354
Total current assets	(140,509)	376,434	20,375	3,809	22,637	(34,077)	389,178
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	-	99,007	-	-	13,875	-	112,882
Other investments	-	1,682	47,826	-	13,985	-	63,493
Under bond indenture agreements	-	40,859	-	-	-	-	40,859
Total assets limited as to use	-	141,548	47,826	-	27,860	-	217,234
PROPERTY AND EQUIPMENT, Net	-	361,059	-	485	7,986	-	369,530
OTHER LONG-TERM ASSETS	-	9,864	-	121	14,202	-	24,187
TOTAL ASSETS	(140,509)	\$888,905	\$68,201	\$4,415	\$72,685	(34,077)	\$1,000,129
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	-	\$35,468	-	\$4	\$1,762	-	\$37,234
Current portion of long-term debt	-	19,964	-	-	2,950	-	22,914
Due to government agencies	-	20,163	-	-	-	-	20,163
Accrued liabilities/other	-	124,201	8,336	2,196	2,551	(2)	137,282
Due to related organizations	(140,509)	1,663	-	102	28,642	(30,407)	-
Total current liabilities	(140,509)	201,459	8,336	2,302	35,905	(30,409)	217,593
OTHER LIABILITIES							
Pension and other long-term liabilities	-	243,051	41,581	-	310	(3,686)	281,256
Total other liabilities	-	243,051	41,581	-	310	(3,686)	281,256
LONG-TERM DEBT, Net of current portion	-	437,193	-	-	150	-	437,343
Total liabilities	(140,509)	881,703	49,917	2,302	36,365	(34,095)	936,192
NET ASSETS:							
Unrestricted	-	(6,699)	18,284	2,113	6,952	18	20,668
Temporarily restricted	-	11,128	-	-	22,861	-	33,989
Permanently restricted	-	2,773	-	-	6,507	-	9,280
Total net assets	-	7,202	18,284	2,113	36,320	18	63,937
TOTAL LIABILITIES AND NET ASSETS	(140,509)	\$888,905	\$68,201	\$4,415	\$72,685	(34,077)	\$1,000,129

(concluded)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	\$260,822	\$83,636	\$310,816	\$178,544	\$233,924	\$19,212	-
Provision and write-off of doubtful accounts	(11,612)	(\$3,399)	(12,128)	(5,530)	(10,218)	(318)	-
Net patient service revenue less provision and write off for doubtful accounts	249,210	80,237	298,688	173,014	223,706	18,894	-
Premium revenue	-	-	40,211	10,176	-	-	-
Other revenue	21,551	2,518	3,726	15,499	18,477	426	72,794
Contributions	1,459	977	5,618	1,889	569	4,000	142,409
Total unrestricted revenues and other support	272,220	83,732	348,243	200,578	242,752	23,320	215,203
EXPENSES:							
Salaries and benefits	189,846	57,514	196,608	102,314	153,681	16,238	18,716
Supplies	43,301	7,763	32,650	42,855	35,819	1,547	(1,592)
Provision for doubtful accounts	-	-	-	-	-	-	-
Purchased services and other	65,807	21,050	116,359	71,596	58,137	3,048	54,219
Depreciation	12,762	5,903	19,739	12,443	10,392	356	907
Interest, net	3,504	1,985	5,158	3,379	3,725	(11)	1,615
Total expenses	315,220	94,215	370,514	232,587	261,754	21,178	73,865
OPERATING INCOME (LOSS)	(43,000)	(10,483)	(22,271)	(32,009)	(19,002)	2,142	141,338
INVESTMENT INCOME (LOSS)	271	35	6,676	674	52	-	9,703
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$42,729)	(\$10,448)	(\$15,595)	(\$31,335)	(\$18,950)	\$2,142	\$151,041

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	-	\$1,086,954	-	-	\$49,765	-	\$1,136,719
Provision and write-off of doubtful accounts	-	(43,205)	-	-	(77)	-	(43,282)
Net patient service revenue less provision and write off for doubtful accounts	-	1,043,749	-	-	49,688	-	1,093,437
Premium revenue	-	50,387	-	-	32,911	-	83,298
Other revenue	(72,702)	62,289	11,879	17,023	2,850	(33,422)	60,619
Contributions	-	156,921	-	-	774	-	157,695
Total unrestricted revenues and other support	(72,702)	1,313,346	11,879	17,023	86,223	(33,422)	1,395,049
EXPENSES:							
Salaries and benefits	-	734,917	-	13,834	70,160	(13,834)	805,077
Supplies	-	162,343	-	117	10,003	(117)	172,346
Provision for doubtful accounts	-	-	-	-	-	-	-
Purchased services and other	(72,702)	317,514	10,554	2,930	36,399	(19,311)	348,086
Depreciation	-	62,502	-	148	3,284	(148)	65,786
Interest, net	-	19,355	-	-	-	-	19,355
Total expenses	(72,702)	\$1,296,631	10,554	17,029	119,846	(33,410)	1,410,650
OPERATING INCOME (LOSS)	-	\$16,715	1,325	(6)	(33,623)	(12)	(15,601)
INVESTMENT INCOME (LOSS)	-	\$17,411	2,095	6	1,809	(5,006)	16,315
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	-	\$34,126	\$3,420	-	(\$31,814)	(\$5,018)	\$714

(concluded)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - AUDITED
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	System Office
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	\$308,334	\$93,517	\$440,397	\$191,904	\$257,931	\$21,439	-
Provision and write-off of doubtful accounts	(23,897)	(\$15,144)	(68,275)	(1,177)	(12,732)	(611)	-
Net patient service revenue less provision and write off for doubtful accounts	284,437	78,373	372,122	190,727	245,199	20,828	-
Premium revenue	-	-	33,019	8,593	-	-	-
Other revenue	9,131	779	7,523	5,746	6,241	470	65,591
Contributions	1,582	883	4,146	1,774	593	4,001	2,110
Total unrestricted revenues and other support	295,150	80,035	416,810	206,840	252,033	25,299	67,701
EXPENSES:							
Salaries and benefits	188,899	57,270	190,873	100,488	159,549	16,740	19,186
Supplies	40,593	7,351	30,277	46,151	36,258	1,600	219
Purchased services and other	71,213	22,875	134,659	81,531	69,289	3,289	53,525
Depreciation	14,383	4,338	17,796	9,882	10,428	362	1,117
Interest, net	5,060	2,771	7,026	4,894	5,840	(10)	(245)
Total expenses	320,148	94,605	380,631	242,946	281,364	21,981	73,802
OPERATING INCOME (LOSS)	(24,998)	(14,570)	36,179	(36,106)	(29,331)	3,318	(6,101)
INVESTMENT INCOME (LOSS)	2,210	49	8,394	994	1,028	1	8,218
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$22,788)	(\$14,521)	\$44,573	(\$35,112)	(\$28,303)	\$3,319	\$2,117

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - AUDITED
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	-	\$1,313,522	-	-	\$39,189	-	\$1,352,711
Provision and write-off of doubtful accounts	-	(121,836)	-	-	-	-	(121,836)
Net patient service revenue less provision and write off for doubtful accounts	-	1,191,686	-	-	39,189	-	1,230,875
Premium revenue	-	41,612	-	-	23,877	-	65,489
Other revenue	(65,237)	30,244	11,691	16,923	2,048	(31,473)	29,433
Contributions	-	15,089	-	-	1,634	-	16,723
Total unrestricted revenues and other support	(65,237)	1,278,631	11,691	16,923	66,748	(31,473)	1,342,520
EXPENSES:							
Salaries and benefits	-	733,005	-	13,724	50,570	(13,713)	783,586
Supplies	-	162,449	-	176	7,812	(176)	170,261
Purchased services and other	(65,237)	371,144	11,790	2,814	25,250	(17,382)	393,616
Depreciation	-	58,306	-	245	2,133	(245)	60,439
Interest, net	-	25,336	-	-	-	-	25,336
Total expenses	(65,237)	\$1,350,240	11,790	16,959	85,765	(31,516)	1,433,238
OPERATING INCOME (LOSS)	-	(\$71,609)	(99)	(36)	(19,017)	43	(90,718)
INVESTMENT INCOME (LOSS)	-	\$20,894	120	25	1,238	(6,025)	16,252
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	-	(\$50,715)	\$21	(\$11)	(\$17,779)	(\$5,982)	(\$74,466)

(concluded)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)**

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	(\$38,010)	\$3,894	\$22,299	(\$1,217)	\$12,405	(\$1,879)	(\$8,530)
Depreciation	12,762	5,903	19,739	12,443	10,392	356	907
Provision for doubtful accounts	11,612	3,399	12,128	5,530	10,218	318	-
Patient accounts receivable	(8,978)	(5,030)	(22,141)	(4,964)	(9,409)	(208)	-
Due to/from government agencies	1,224	(3,698)	(2,439)	(1,371)	(1,634)	46	-
Due to/from related organizations	12,558	9,847	(92,097)	25,123	7,951	1,738	32,870
Other current assets	7,677	3,285	28,869	5,262	6,731	(6)	18,475
Other long-term assets	1,981	245	(93)	141	(4)	-	(53)
Accounts payable	5,861	1,627	4,136	3,477	3,890	63	(3,136)
Accrued liabilities/other	(1,058)	(1,176)	(1,719)	(4,147)	(4,216)	(136)	(2,946)
Pension and other long-term liabilities	(1,061)	63	1,306	900	206	16	(508)
Total operating cash flows	4,568	18,359	(30,012)	41,177	36,530	308	37,079
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	-	-	(192)	-	-	-
Change in assets under bond indenture agreements	-	-	-	-	-	-	14,726
Change in interest in pooled investment fund - short-term	14,128	819	30,760	3,852	6,789	-	4,354
Change in interest in pooled investment fund - long-term	9,650	(29)	78,809	(655)	(34)	-	(98)
Additions to property and equipment	(9,402)	(2,036)	(7,037)	(11,246)	(6,603)	(182)	3,326
Total investing cash flows	14,376	(1,246)	102,532	(8,241)	152	(182)	22,308
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	(26,688)	(16,069)	(30,698)	(29,697)	(32,516)	-	(26,592)
Total financing cash flows	(26,688)	(16,069)	(30,698)	(29,697)	(32,516)	-	(26,592)
NET INCREASE (DECREASE) IN CASH	(7,744)	1,044	41,822	3,239	4,166	126	32,795
CASH AS OF JUNE 30, 2013	9,336	1,714	(2,886)	(417)	3,181	(61)	(235)
CASH AS OF JUNE 30, 2014	\$1,592	\$2,758	\$38,936	\$2,822	\$7,347	\$65	\$32,560

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)

	Eliminations	Obligated Group Subtotal	Robert F. Kennedy Medical Center	Robert F. Kennedy Medical Center Foundation	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Changes in net assets	-	(\$11,038)	-	-	(\$1,580)	\$11	\$385	(\$18)	(\$12,240)
Depreciation	-	62,502	-	-	-	148	3,284	(148)	65,786
Provision for doubtful accounts	-	43,205	-	-	-	-	77	-	43,282
Patient accounts receivable	-	(50,730)	-	-	-	-	(2,270)	-	(53,000)
Due to/from government agencies	-	(7,872)	-	-	-	-	-	-	(7,872)
Due to/from related organizations	-	(2,010)	-	-	-	(97)	2,107	-	-
Other current assets	-	70,293	-	-	4,912	19	(3,756)	177	71,645
Other long-term assets	-	2,217	-	-	-	1	(2,685)	-	(467)
Accounts payable	-	15,918	-	-	-	56	3,493	-	19,467
Accrued liabilities/other	-	(15,398)	-	-	(8,172)	(213)	3,376	27	(20,380)
Pension and other long-term liabilities	-	922	-	-	(4,421)	-	20	(186)	(3,665)
Total operating cash flows	-	108,009	-	-	(9,261)	(75)	4,031	(148)	102,556
CASH FLOWS FROM INVESTING ACTIVITIES									
Change in other investments	-	(192)	-	-	4,876	-	(603)	-	4,081
Change in assets under bond indenture agreements	-	14,726	-	-	-	-	-	-	14,726
Change in interest in pooled investment fund - short-term	-	60,702	-	-	-	927	(72)	-	61,557
Change in interest in pooled investment fund - long-term	-	87,643	-	-	-	-	(1,643)	-	86,000
Additions to property and equipment	-	(33,180)	-	-	-	(81)	(2,637)	148	(35,750)
Total investing cash flows	-	129,699	-	-	4,876	846	(4,955)	148	130,614
CASH FLOWS FROM FINANCING ACTIVITIES									
Long-term debt	-	(162,260)	-	-	-	-	(2,094)	-	(164,354)
Total financing cash flows	-	(162,260)	-	-	-	-	(2,094)	-	(164,354)
NET INCREASE (DECREASE) IN CASH	-	75,448	-	-	(4,385)	771	(3,018)	-	68,816
CASH AS OF JUNE 30, 2013	-	10,632	-	-	11,162	1,415	7,951	-	31,160
CASH AS OF JUNE 30, 2014	-	\$86,080	-	-	\$6,777	\$2,186	\$4,933	-	\$99,976

(concluded)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - AUDITED
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)**

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	(\$18,952)	(\$15,351)	\$43,204	(\$25,287)	(\$28,082)	\$3,355	(\$2,385)
Depreciation	14,383	4,338	17,796	9,882	10,428	362	1,117
Provision for doubtful accounts	23,897	15,144	68,275	1,177	12,732	611	-
Patient accounts receivable	(22,304)	(14,156)	(64,011)	729	(14,254)	(801)	-
Due to/from government agencies	(1,030)	145	(4,439)	6,357	(612)	(2,317)	-
Due to/from related organizations	6,376	16,720	(35,979)	16,139	10,890	(1,096)	(14,830)
Other current assets	832	22	16,554	3,883	861	9	3,059
Other long-term assets	120	113	(32)	(544)	-	(1)	385
Accounts payable	(54)	(432)	1,194	2,257	872	(103)	6,384
Accrued liabilities/other	(2,668)	(619)	(12,601)	(2,562)	(3,918)	117	(65)
Pension and other long-term liabilities	(5,970)	(382)	(14,025)	(8,712)	(487)	(29)	(2,839)
Total operating cash flows	(5,370)	5,542	15,936	3,319	(11,570)	107	(9,174)
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	-	-	(73)	-	-	-
Change in assets under bond indenture agreements	-	-	-	-	-	-	994
Change in interest in pooled investment fund - short-term	(7,657)	1,066	(2,920)	4,997	1,529	-	12,588
Change in interest in pooled investment fund - long-term	28,221	(23)	7,084	4,016	18,098	-	(41)
Additions to property and equipment	(6,275)	(6,401)	(13,832)	(12,829)	(10,365)	(179)	(1,863)
Total investing cash flows	14,289	(5,358)	(9,668)	(3,889)	9,262	(179)	11,678
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	(151)	-	(9,860)	-	-	-	(1,142)
Total financing cash flows	(151)	-	(9,860)	-	-	-	(1,142)
NET INCREASE (DECREASE) IN CASH	8,768	184	(3,592)	(570)	(2,308)	(72)	1,362
CASH AS OF JUNE 30, 2012	568	1,530	706	153	5,489	11	(1,597)
CASH AS OF JUNE 30, 2013	\$9,336	\$1,714	(\$2,886)	(\$417)	\$3,181	(\$61)	(\$235)

(continued)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - AUDITED
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)**

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	-	(\$43,498)	(\$5,979)	(\$11)	\$10,300	\$18	(\$39,170)
Depreciation	-	58,306	-	245	2,133	(245)	60,439
Provision for doubtful accounts	-	121,836	-	-	-	-	121,836
Patient accounts receivable	-	(114,797)	-	-	(1,798)	-	(116,595)
Due to/from government agencies	-	(1,896)	-	-	-	-	(1,896)
Due to/from related organizations	-	(1,780)	1,309	335	1,451	(1,315)	-
Other current assets	-	25,220	(2,110)	(22)	(3,454)	1,417	21,051
Other long-term assets	-	41	-	(2)	(2,831)	-	(2,792)
Accounts payable	-	10,118	-	2	651	-	10,771
Accrued liabilities/other	-	(22,316)	(10,076)	28	560	(11)	(31,815)
Pension and other long-term liabilities	-	(32,444)	2,450	-	(70)	(109)	(30,173)
Total operating cash flows	-	(1,210)	(14,406)	575	6,942	(245)	(8,344)
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	(73)	9,041	-	(3,289)	-	5,679
Change in assets under bond indenture agreements	-	994	-	-	-	-	994
Change in interest in pooled investment fund - short-term	-	9,603	-	(150)	928	-	10,381
Change in interest in pooled investment fund - long-term	-	57,355	-	-	(790)	-	56,565
Additions to property and equipment	-	(51,744)	-	(202)	(4,032)	245	(55,733)
Total investing cash flows	-	16,135	9,041	(352)	(7,183)	245	17,886
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	-	(11,153)	-	-	(2,100)	-	(13,253)
Total financing cash flows	-	(11,153)	-	-	(2,100)	-	(13,253)
NET INCREASE (DECREASE) IN CASH	-	3,772	(5,365)	223	(2,341)	-	(3,711)
CASH AS OF JUNE 30, 2012	-	6,860	16,527	1,191	10,292	-	34,870
CASH AS OF JUNE 30, 2013	-	\$10,632	\$11,162	\$1,414	\$7,951	-	\$31,159

(concluded)