McGladrey & Pullen
Certified Public Accountants

Holy Cross Hospital and Affiliate

Consolidated Financial Report
June 30, 2008

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HOLY CROSS HOSPITAL AND AFFILIATE

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report
on the Financial Statements

To the Board of Trustees
Holy Cross Hospital
Chicago, Illinois

We have audited the accompanying consolidated balance sheets of Holy Cross Hospital and affiliate as of June 30, 2008 and 2007, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holy Cross Hospital and affiliate as of June 30, 2008 and 2007, and the results of their operations and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the consolidated financial statements, SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, was adopted as of June 30, 2007.

McGladrey & Pullen, LLP

Chicago, Illinois
September 26, 2008

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATED BALANCE SHEETS
June 30, 2008 and 2007

ASSETS	2008	2007
Current Assets		
Cash and cash equivalents	$ 7,781,783	$ 7,752,884
Assets whose use is limited - externally designated under bond agreements	413,876	1,094,567
Patient accounts receivable, less allowances for uncollectible accounts of $11,247,000 in 2008 and $12,416,000 in 2007	14,371,609	15,059,270
Contribution receivable	-	3,625,333
Inventory	1,452,130	1,567,012
Due from third-party payors	-	7,748,664
Prepaid expenses and other current assets	2,446,068	856,624
Total current assets	26,465,466	37,704,354
Assets Whose Use is Limited, net of amounts required to meet current obligations		
Internally designated for capital improvements	1,206,432	1,161,091
Externally designated under bond agreements	-	1,462,711
Externally designated under grant agreement	4,180,299	2,768,196
	5,386,731	5,391,998
Other Investments	1,223,507	963,782
Property and Equipment, net	39,319,081	32,794,710
Other Assets	7,058	9,624
Deferred Bond Issuance Costs, net of amortization of $86,049 in 2008 and $342,889 in 2007	362,351	387,921
Total assets	$ 72,764,194	$ 77,252,389

LIABILITIES AND NET ASSETS	2008	2007
Current Liabilities		
Notes payable	$ 1,032,496	$ 4,082,496
Current portion of long-term debt	242,461	900,073
Accounts payable	9,273,345	6,971,692
Accrued salaries and expenses	7,112,673	7,283,375
Accrued interest	35,015	647,853
Current portion of accrued pension and postretirement benefits	303,000	284,000
Due to third-party payors	3,545,595	8,323,246
Total current liabilities	21,544,585	28,492,735
Noncurrent Liabilities		
Long-term debt, less current portion	17,905,221	20,467,102
Accrued pension and postretirement benefits, net of current portion	6,850,597	2,664,947
Professional liability	3,050,000	2,900,000
Total noncurrent liabilities	27,805,818	26,032,049
Total liabilities	49,350,403	54,524,784
Commitments and Contingencies (Notes 9, 11 and 12)		
Net Assets		
Unrestricted	18,963,667	16,097,200
Temporarily restricted	4,450,124	6,630,405
Total net assets	23,413,791	22,727,605
Total liabilities and net assets	$ 72,764,194	$ 77,252,389

See Notes to Consolidated Financial Statements.

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended June 30, 2008 and 2007

	2008	2007
Revenues:		
Net patient service revenue	$ 111,142,732	$ 109,110,687
Capitation revenue	5,433,083	8,426,736
Investment income	70,955	156,352
Other revenue	4,570,129	1,937,458
Medicaid hospital assessment revenue	7,748,665	15,497,328
Net assets released from restrictions - used for operations	381,320	59,960
	129,346,884	135,188,521
Expenses:		
Salaries and employee benefits	57,631,310	55,521,868
Professional fees	11,027,215	14,059,899
Food, drugs and medical supplies	13,299,009	13,973,817
Supplies, utilities and other	19,346,299	19,459,083
Medicaid hospital assessment expense	4,666,348	9,332,697
Provision for uncollectible accounts	14,453,325	14,101,323
Depreciation and amortization	4,104,863	3,870,271
Interest	1,252,816	1,785,705
	125,781,185	132,104,663
Income from operations	3,565,699	3,083,858
Nonoperating income (loss):		
Investment income	350,706	270,836
Loss on extinguishment of debt	(525,664)	-
Total nonoperating income (loss), net	(174,958)	270,836
Excess of revenues over expenses	3,390,741	3,354,694
Contribution of equipment	1,804,372	-
Net assets released from restrictions - used for property and equipment	2,378,659	804,832
Increase in unrestricted net assets before pension-related changes	$ 7,573,772	$ 4,159,526

(Continued)

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
Years Ended June 30, 2008 and 2007

	2008	2007
Unrestricted Net Assets		
Excess of revenues over expenses	$ 3,390,741	$ 3,354,694
Net assets released from restrictions - used for property and equipment	2,378,659	804,832
Adjustment to initially apply FASB Statement No. 158 related to defined benefit pension plan and other postretirement plans (Note 8)	-	6,971,842
Pension-related changes other than net periodic pension cost	(4,707,305)	-
Contribution of equipment	1,804,372	-
Increase in unrestricted net assets	2,866,467	11,131,368
Temporarily Restricted Net Assets		
Contributions	579,698	3,638,028
Net assets released from restrictions	(2,759,979)	(864,792)
Increase (decrease) in temporarily restricted net assets	(2,180,281)	2,773,236
Increase in net assets	686,186	13,904,604
Net assets, beginning of the year	22,727,605	8,823,001
Net assets, end of the year	$ 23,413,791	$ 22,727,605

See Notes to Consolidated Financial Statements.

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Increase in net assets	$ 686,186	$ 13,904,604
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for uncollectible accounts	14,453,325	14,101,323
Loss on early extinguishment of Series 1994 bonds	525,664	-
Depreciation	3,999,815	3,831,048
Amortization	105,048	39,223
Contributions for the purchase of property and equipment	-	(869,832)
Forgiveness of note payable and related accrued interest	(2,730,342)	-
Contribution of equipment	(1,804,372)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(13,765,664)	(12,717,902)
Inventory, prepaid expenses and other assets	(1,474,562)	712,505
Due to/from third-party payors, net	2,971,013	(3,737,287)
Accounts payable and other liabilities	801,685	224,780
Accrued pension and postretirement benefits	4,204,650	(7,228,255)
Net cash provided by operating activities	7,972,446	8,260,207
Cash Flows from Investing Activities		
Purchases of property and equipment	(7,276,756)	(2,817,349)
Purchase of assets whose use is limited and other investments	(6,456,589)	(8,691,212)
Proceeds from sales of assets whose use is limited and other investments	6,830,265	6,174,821
Net cash used in investing activities	(6,903,080)	(5,333,740)
Cash Flows from Financing Activities		
Payment of bond issuance costs	(449,853)	
Payments on notes payable	(550,000)	(600,000)
Proceeds from contributions used for the purchase of property and equipment	3,625,333	804,832
Retirement of long-term debt - Series 1994 bonds	(19,800,000)	-
Proceeds from long-term debt - Series 2007 bonds	16,000,000	-
Payments on long-term debt	(335,122)	(1,129,819)
Proceeds from long-term debt	815,463	28,000
Payment of accounts payable for property and equipment	(346,288)	(102,288)
Net cash used in financing activities	(1,040,467)	(999,275)
Net increase in cash and cash equivalents	28,899	1,927,192
Cash and cash equivalents, beginning of year	7,752,884	5,825,692
Cash and cash equivalents, end of year	$ 7,781,783	$ 7,752,884
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,704,793	$ 1,726,641
Supplemental Schedule of Noncash Investing and Financing Activities		
Purchases of equipment in accounts payable	$ 1,443,058	$ 346,288

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: The accompanying consolidated financial statements represent the accounts of Holy Cross Hospital ("Hospital") and its wholly owned affiliate, Holy Cross Health Partners, Inc. ("HCHP"). The Hospital is a Illinois not-for-profit corporation. The Hospital provides inpatient, outpatient and emergency care services to residents of the Chicago Metropolitan area. The Hospital is the sole shareholder of HCHP, an Illinois for-profit corporation that was incorporated in 1998. HCHP's purpose is to administer and negotiate contracts on behalf of participating health care providers.

A summary of significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the Hospital and HCHP. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying financial statements is primarily related to the determination of the net patient receivables and settlements with third-party payors and the accruals for pension and professional and general liability. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the financial statements.

Basis of presentation: The Hospital may classify its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of the Hospital and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Hospital and/or the passage of time. The Hospital has temporarily restricted net assets which are available for operations or improvements to the physical facility. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations and changes in net assets as assets released from restriction. Temporarily restricted net assets are primarily available for construction at June 30, 2008 and 2007.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Hospital. The Hospital had no permanently restricted net assets at June 30, 2008 and 2007.

Donor-restricted gifts: Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indication of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Cash and cash equivalents: All investments that are not limited as to use with an original maturity of three months or less when purchased are reflected as cash and cash equivalents. The carrying value of cash equivalents approximates fair value.

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

Throughout the year, the Hospital may have amounts on deposit with financial institutions in excess of those insured by the FDIC. Management does not believe that this presents a significant risk to the Hospital.

Patient accounts receivable, provision for uncollectible accounts and due from/to third party-payors: The collection of receivables from third-party payors and patients is the Hospital's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors, discounts for patients that are uninsured and an estimated allowance for doubtful receivables. Management estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each payor type. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

The past due status of receivables is determined on a case-by-case basis depending on the payor responsible. Interest is generally not charged on past due accounts.

Receivables or payables related to estimated settlements on various payor contracts, primarily Medicare, are reported as amounts due from or to third-party payors. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental health care coverage could affect the Hospital's collection of accounts receivable, cash flows and results of operations.

Receivables and payables related to the Medicaid Hospital Assessment Program are reported as amounts due from/to third-party payors.

Inventory: Inventory is stated at cost, determined by the first-in, first-out method.

Deferred bond issuance costs: Bond issuance costs are deferred and amortized over the life of the related debt on a method that approximates the effective yield method.

Assets whose use is limited and other investments: Investments in money market accounts are measured at fair value which approximates cost. Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Fair value is based on quoted market prices for those or similar investments.

Assets whose use is limited consist of investments set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Additionally, assets whose use is limited include investments held by trustees under debt agreements and investments maintained under the grant agreement with the State of Illinois for the expansion of emergency services and life/safety improvements to the physical facility.

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

Investments are regularly evaluated for impairment. The Hospital considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Hospital considers the length of time an investment's fair value has been below carrying value, the near-term prospects for recovery to carrying value, and the intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value and included as a realized loss in excess of revenues over expenses.

Property and equipment: Property and equipment are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Leased equipment under capital leases is amortized over the shorter of the lease term or estimated useful life. Amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Accrued professional liability: The provision for accrued professional liability includes estimates of the ultimate costs for claims incurred but not reported. The provision is actuarially determined.

Net patient service revenue: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Capitation revenue: The Hospital has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Hospital receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed by the Hospital. In addition, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

Results of operations: The statement of operations and changes in net assets includes excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for property and equipment, contributions of equipment, as well as the adjustment to initially apply FASB Statement No. 158 and pension-related changes other than the net periodic pension cost.

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

Charity care and uninsured allowance: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital provides a 30% discount from customary charges for uninsured patients. Charity care includes foregone charges for uninsured patients denied coverage by Public Aid.

Income taxes: The Hospital is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. HCHP is subject to federal and state income taxes, which are not significant to the consolidated operations.

Recent accounting pronouncements: In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. In February 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2007. The Hospital will be required to adopt FIN 48 in its 2009 annual financial statements. Management is currently assessing the impact of FIN 48 on the Hospital's consolidated financial position and changes in net assets and has not determined if the adoption of FIN 48 will have a material effect on the Hospital's consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until fiscal years beginning after November 15, 2008. Management is currently assessing the potential effect of SFAS No. 157 on the Hospital's financial position, results of operations and cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. Management does not anticipate that SFAS No. 162 will have any material impact upon the Hospital's preparation of its consolidated financial statements.

Note 2. Contractual Arrangements with Third-Party Payors

The Hospital has agreements with third-party payors which provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at list price and the amounts reimbursed by Medicare, Medicaid, Blue Cross, and certain other third-party payors; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. Contractual adjustments under third-party reimbursement programs are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors follows:

Medicare: The Hospital is paid for inpatient acute care and outpatient care services rendered to Medicare program beneficiaries under prospectively determined rates per discharge (Prospective Payment System). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital's classification of patients under the Prospective Payment System and the appropriateness of the patient's admissions are subject to validation reviews. The Hospital is reimbursed at tentative rates with final settlement determined after submission of annual reimbursement reports by the Hospital and audits by the Medicare fiscal intermediary.

Medicaid: The Hospital is reimbursed at prospectively determined rates for each Medicaid inpatient discharge. Outpatient services are reimbursed based on established fee screens. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital also receives incremental Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid Program. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the Medicaid program.

Blue Cross: The Hospital also participates as a provider of health care services under a reimbursement agreement with Blue Cross. The provisions of this agreement stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the Hospital and a review by Blue Cross.

Managed Care Organizations: The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes discounts from established charges and prospectively determined per diem rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Net patient service revenue was increased by approximately $1,669,000 and $589,000 for the years ended June 30, 2008 and 2007, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of accrual adjustments and final settlements.

Note 2. Contractual Arrangements With Third-Party Payors (Continued)

Due to the Hospital's relatively high Medicaid patient volume, the Hospital receives additional reimbursement (approximately $4,513,000 in 2008 and 2007) in the form of Safety Net Adjustment Payments (SNAP), the majority of which is provided by the Illinois Medicaid program. The Hospital also received approximately $3,780,000 of additional reimbursement in the form a Critical Hospital Adjustment Payment (CHAP) in both 2008 and 2007. The amount of additional reimbursement from the Illinois Medicaid program which will be made to hospitals in the future is uncertain, and future legislative changes to reimbursement provided to hospitals could have a material adverse effect on the Hospital's operating results.

In December 2006, the Federal Centers for Medicare & Medicaid Services (CMS) approved State of Illinois (State) legislation for a Medicaid Hospital Assessment Program (Program) relating to the period August 15, 2005 to June 30, 2008. Under the Program, the Hospital received additional Medicaid reimbursement from the State and paid a related assessment tax. Total reimbursement revenue recognized by the Hospital for fiscal years 2008 and 2007 was $7,748,665 and $15,497,328, respectively. Total assessment tax incurred by the Hospital for fiscal years 2008 and 2007 related to this program was $4,666,348 and $9,332,697, respectively. The laws and regulations authorizing this Program expired on June 30, 2008. The Illinois Department of Healthcare and Family Services, Illinois Hospital Association, and Association of Safety Net Hospitals have worked together to develop a replacement Program which has been approved by the Illinois Legislature and the Illinois Governor and is subject to approval by the Center for Medicare and Medicaid Services (CMS). Final approval of the Program is expected by management of the Hospital, but cannot be assured.

Note 3. Community Commitment

Community commitment includes charity care for patient care services rendered to the community at a reduced or no fee due to the inability of the patient to pay for services. Community commitment also includes the difference between the estimated cost of services provided to Medicaid patients and the reimbursement from this governmental program. The estimated amount of community commitment provided for the years ended June 30, 2008 and 2007 is as follows:

	2008	2007
Charity care (foregone charges)	$ 9,939,000	$ 9,240,000
Uninsured discount	4,652,000	4,825,000
Unreimbursed cost (estimated cost, less reimbursement)	8,664,000	7,809,000

In addition, the Hospital is involved in many community benefit activities. These activities are conducted free of charge or below the cost of providing them.

Note 4. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2008 and 2007 is as follows:

	2008	2007
Medicare	18 %	18 %
Medicaid	27	28
Managed care	17	15
Self pay	28	28
Other	10	11
	100 %	100 %

Revenue from the Medicare program accounted for approximately 44% and 45%, respectively, for the years ended June 30, 2008 and 2007. Revenue from the Medicaid program accounted for approximately 26% and 24% of the Hospital's gross patient revenue for the years ended June 30, 2008 and 2007, respectively.

Note 5. Assets Whose Use is Limited and Other Investments

Assets whose use is limited and other investments consist primarily of certificates of deposit and money market funds.

Total investment return for the years ended June 30, 2008 and 2007 is summarized as follows:

	2008	2007
Dividend and interest income	$ 421,661	$ 427,188
Reported as:		
Investment income--operations	$ 70,955	$ 156,352
Investment income--nonoperating	350,706	270,836
	$ 421,661	$ 427,188

Note 6. Property and Equipment

Property and equipment consist of the following at June 30, 2008 and 2007:

	2008	2007
Land and improvements	$ 2,838,932	$ 2,838,932
Buildings	44,892,233	44,822,921
Equipment	76,485,322	71,710,442
Construction in progress	6,085,975	1,132,064
	130,302,462	120,504,359
Less accumulated depreciation and amortization	(90,983,381)	(87,709,649)
	$ 39,319,081	$ 32,794,710

The Hospital received a contribution of equipment during the fiscal year ended June 30, 2008 of $1,804,372. This amount has been recorded as an increase in equipment and unrestricted net assets.

The amounts above include assets under capital leases that are capitalized using interest rates appropriate at the inception of each lease. Equipment under capital leases is as follows at June 30, 2008 and 2007:

	2008	2007
Equipment	$ 7,950,411	$ 7,119,440
Less accumulated amortization	(5,510,661)	(4,995,315)
	$ 2,439,751	$ 2,124,125

Note 7. Pledged Assets, Notes Payable and Long-Term Debt

The Hospital has a note payable with a bank with a balance of $1,032,496 and $1,582,496 at June 30, 2008 and 2007, respectively. The note payable requires monthly payments of $50,000, plus interest at 4.40%, and is due September 2009. The loan is guaranteed by another organization.

At June 30, 2007 the Hospital had a Secured Revolving Demand Note with the Sisters of St. Casimir in the amount of $5,000,000 with an interest rate of 3.00% on balances outstanding. There was $2,500,000 outstanding on this note at June 30, 2007. In December 2007, the Sisters of St. Casimir forgave the remaining outstanding note with a balance of $2,500,000 and the related accrued interest in the amount of $230,342. The Hospital has recognized a gain from this forgiveness in the amount of $2,730,342 which is included in Other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

Note 7. Pledged Assets, Notes Payable and Long-Term Debt (Continued)

Long-term debt is comprised of the following at June 30, 2008 and 2007:

	2008	2007
Illinois Finance Authority Adjustable Rate Demand Revenue Refunding Bonds, Series 2007, interest payable monthly at the daily, weekly, adjustable or fixed rate as defined by the the remarketing agent, 1.60% at June 30, 2008, due July 2024, principal due annually in varying amounts, collateralized by a letter of credit agreement and substantially all assets of the Hospital.	$ 16,000,000	$ -
Illinois Health Facilities Authority Revenue Bonds, Series 1994, refunded in 2008	-	19,800,000
Bank note, monthly payments of $8,233 including interest at 6%, due October 1, 2009, secured by certain real estate	1,291,262	1,310,642
Capitalized leases, varying amounts, secured by related equipment	856,420	356,699
	18,147,682	21,467,341
Less unamortized bond discount	-	(100,166)
	18,147,682	21,367,175
Less current maturities	(242,461)	(900,073)
	$ 17,905,221	$ 20,467,102

The Series 2007 bonds can be called on a daily basis by the bondholder. The Hospital has a remarketing agreement with underwriters that provides for a “best efforts” remarketing of the bonds. The Hospital anticipates that additional bonds will be issued to the extent of the maturities; however, there can be no guarantee that these bonds can or will be remarketed. The bonds are secured by a letter of credit totaling $16,153,425, which expires on December 5, 2010. If the letter of credit is drawn on to pay for bonds that were not remarketed, such amounts are due immediately or on a fully amortized basis over a five-year term, commencing 366 days after the drawing, in level monthly installments of principal and interest. If payment is not made immediately, the reimbursement obligation bears interest at the prime rate or up to the prime rate plus 1.5%, depending on the timing of repayment.

Note 7. Pledged Assets, Notes Payable and Long-Term Debt (Continued)

The bonds proceeds were used to finance the construction, renovation, and equipping of certain health care facilities of the Hospital; to pay certain prior indebtedness in full; and to pay certain expenses incurred in connection with the issuance of the bonds. In accordance with the bond trust indentures, certain funds were established and are held by a trustee. At June 30, 2008 and 2007, such trustee-held funds included the following:

	2008	2007
Debt service reserve fund	$ 377,852	$ 2,059,195
Bond sinking fund	-	163,838
Interest fund	36,024	334,245
	$ 413,876	$ 2,557,278

Maturities of long-term debt and future payments under capital leases for the next five fiscal years are as follows:

Year ended June 30,	Revenue Bonds	Bank Note	Capital Leases	Total
2009	$ 15,000	$ 20,810	$ 258,053	$ 293,863
2010	770,000	1,270,452	240,191	2,280,643
2011	800,000	-	240,334	1,040,334
2012	825,000	-	192,551	1,017,551
2013	850,000	-	48,139	898,139
Thereafter	12,740,000	-	-	12,740,000
	16,000,000	1,291,262	979,268	18,270,530
Less interest payments	-	-	(122,848)	(122,848)
	$ 16,000,000	$ 1,291,262	$ 856,420	$ 18,147,682

Various debt agreements place capital expenditure limitations on the Hospital and require the Hospital to maintain certain amounts of unrestricted cash and investments and certain financial ratios. Among these required ratios, the Hospital must maintain a debt service coverage ratio, as defined, of 110% for fiscal year 2008 and 135% for each fiscal year thereafter.

Note 8. Employee Benefit Programs

The Hospital has a noncontributory defined benefit pension plan and a noncontributory postretirement health plan. Effective June 30, 2005, the defined benefit pension plan's credited service was frozen, and the definition of pay was changed to exclude pay after 2014 (fully freezing the accrual of benefits at that point). The Hospital adopted SFAS No. 158 as of June 30, 2007. This standard requires plan sponsors to report the net over- or under-funded position of a defined benefit pension or other postretirement plan as an asset or liability on the balance sheet. The measurement dates used to determine the benefit obligations and fair value of plan assets were June 30, 2008 and 2007.

Obligations and funded status were as follows at June 30:

	2008		2007	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in benefit obligation				
Benefit obligation, beginning of year	$ 66,606,253	$ 2,618,717	$ 65,732,798	$ 2,735,416
Service cost	-	-	-	-
Interest cost	4,077,288	154,809	4,031,570	161,027
Change due to plan amendment	-	-	-	-
Actuarial (gains) losses	(4,130,401)	(85,296)	(978,162)	(76,358)
Benefits paid	(2,326,997)	(223,242)	(2,179,953)	(201,368)
Benefit obligation, end of year	64,226,143	2,464,988	66,606,253	2,618,717
Change in plan assets				
Fair value of plan assets, beginning of year	66,276,023	-	59,359,695	-
Actual return on plan assets	(4,411,492)	-	9,096,281	-
Employer contributions	-	223,242	-	201,368
Benefits paid	(2,326,997)	(223,242)	(2,179,953)	(201,368)
Fair value of plan assets, end of year	59,537,534	-	66,276,023	-
Funded status of the plan	$ (4,688,609)	$ (2,464,988)	$ (330,230)	$ (2,618,717)

Note 8. Employee Benefit Programs (Continued)

Amounts recognized in the consolidated balance sheet consist of:

	2008		2007	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Liabilities				
Current liabilities	$ -	$ (303,000)	$ -	$ (284,000)
Noncurrent liabilities	(4,688,609)	(2,161,988)	(330,230)	(2,334,717)
Total recognized as a liability	$ (4,688,609)	$ (2,464,988)	$ (330,230)	$ (2,618,717)
Unrestricted net assets				
Net actuarial gains	$ (1,806,070)	$ (384,408)	$ (6,590,340)	$ (303,393)
Net prior service cost (credit)	275,472	(349,531)	311,187	(389,296)
Total recognized in unrestricted net assets	$ (1,530,598)	$ (733,939)	$ (6,279,153)	$ (692,689)

The accumulated benefit obligation was $63,458,340 and $65,234,931 at June 30, 2008 and 2007, respectively.

The components of net periodic benefit cost and other amounts recognized in unrestricted net assets for the years ended June 30, 2008 and 2007 are as follows:

	2008		2007	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Components of net periodic benefit cost (gain):				
Service cost	$ -	$ -	$ -	$ -
Interest cost	4,077,288	154,808	4,031,570	161,027
Expected return on plan assets	(4,503,179)	-	(4,243,592)	-
Amortization of unrecognized prior service costs	35,715	(39,765)	35,715	(39,765)
Amortization of unrecognized net losses	-	(4,281)	-	-
	(390,176)	110,762	(176,307)	121,262
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:				
Net actuarial (gain) loss	4,784,270	(85,296)	(6,590,340)	(303,393)
Prior service cost (credit)	-	-	311,187	(389,296)
Amortization of prior service cost (credit)	(35,715)	39,765	-	-
Amortization of actuarial gain	-	4,281	-	-
	4,748,555	(41,250)	(6,279,153)	(692,689)
Total recognized in net periodic benefit cost (gain) and unrestricted net assets	$ 4,358,379	$ 69,512	$ (6,455,460)	$ (571,427)

The estimated prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $35,715. The estimated net gain and prior service credit for the defined benefit post retirement plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $14,861 and $39,765, respectively.

Note 8. Employee Benefit Programs (Continued)

Information relative to the assumptions used to determine the benefit obligations and net periodic benefit cost as of and for the years ended June 30 are as follows:

	2008		2007	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to determine the benefit obligations at June 30:				
Discount rate	6.75%	6.75%	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Medical inflation rate- year 1	N/A	8.00%	N/A	8.00%
Medical inflation rate- ultimate	N/A	5.00%	N/A	5.00%
Assumptions used to determine the net periodic benefit cost for the year ended June 30:				
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected return on plan assets	7.50%	N/A	7.50%	N/A
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Medical inflation rate- year 1	N/A	8.00%	N/A	8.00%
Medical inflation rate- ultimate	N/A	5.00%	N/A	5.00%
Year that the rate reaches the ultimate trend rate	N/A	2010	N/A	2009

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 2,154	$ (1,902)
Effect on postretirement benefit obligation	47,006	(42,635)

The asset allocation of investment categories for the defined benefit plan at June 30, 2008 and 2007 was as follows:

	2008	2007
Equity securities	69%	70%
Debt securities	31%	30%
Total	100%	100%

The overall expected long-term rate of return on assets is based upon the weighted average expected long-term return of a target asset allocation of 60%-70% equity securities and 30%-40% debt securities. Debt securities are expected to have a long-term rate of return based on current interest levels. Equity securities are expected to have a long-term rate of return based on historical equity premiums over returns on debt securities.

Note 8. Employee Benefit Programs (Continued)

There is no required contribution for the pension plan for the year ending June 30, 2009. A contribution of $303,000 is expected for other benefits for the year ending June 30, 2009. No plan assets are expected to be returned to the Hospital over the next fiscal year.

Estimated future benefit payments for the years ending June 30 are as follows (in thousands):

	Pension Benefits	Other Benefits
2009	$ 2,904	$ 303
2010	3,039	257
2011	3,217	251
2012	3,444	235
2013	3,678	444
2014 - 2018	21,610	1,102

Effective July 1, 2005, the Hospital established a 401(k) defined contribution retirement plan which is available to all employees after one month of service who work at least 1,040 hours per year and are at least 18 years old. The Hospital matches 100% of the participant's contribution up to a maximum of 3% of the participant's annual compensation, subject to the annual limit as required by the Internal Revenue Code. The Hospital's expense related to this plan for the years ended June 30, 2008 and 2007 was approximately $1,122,000 and $1,078,000, respectively.

Note 9. Self-Insurance Program and Other Contingencies

Since June 1, 1979, the Hospital's primary professional and general liability coverage has been provided through the Chicago Hospital Risk Pooling Program (CHRPP) with 15 other participating hospitals. CHRPP is a self-insured trust that provides coverage, after a nominal deductible, through the use of a fund specific to each participating hospital and two pooled funds, which include all CHRPP participating hospitals. Excess insurance coverage is purchased from a commercial insurance company. Required reserves and contributions by participating hospitals are determined annually by an independent actuary based on claim experience, investment performance and assumed self-insured retentions. The required contributions are subject to future retrospective adjustments. Effective January 1, 2003, CHRPP changed its coverage from occurrence basis to claims-made. The Hospital has recorded a reserve for incurred but not reported claims at June 30, 2008 and 2007 of $3,050,000 and $2,900,000, respectively, related to its estimated tail liability.

Accrued professional and general liability claim losses have been discounted at 5.5% for the years ended June 30, 2008 and 2007, respectively. The portion of the accrual for estimated professional and general liability claims expected to be paid within one year of the balance sheet dates is not readily determinable, and therefore, the entire accrual balance is classified as a noncurrent liability.

Self-insured professional and general liability expense of approximately $4,277,000 in 2008 and $5,139,000 in 2007 has been included in professional fees in the accompanying consolidated statements of operations and changes in net assets. During the year ended June 30, 2008, the Hospital received a premium refund from CHRPP in the amount of approximately $905,000, resulting in a decrease in the self-insurance professional and general liability expense for the year ended June 30, 2008. For the purposes of the incurred but not reported (IBNR) calculation the Hospital assumed potential losses at the level of $3,000,000 for the years ended June 30, 2008 and 2007.

Note 10. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to these services for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Health care services	$ 114,826,400	$ 120,675,904
General and administrative	10,890,066	11,379,409
Fundraising	64,719	49,350
	$ 125,781,185	$ 132,104,663

Certain costs have been allocated among health care services and general and administrative.

Note 11. Operating Leases

The Hospital leases certain facilities and equipment under operating leases that expire at various dates through July 2013. The aggregate minimum annual rental commitments under noncancellable operating leases are as follows:

Year ended June 30,	
2009	$ 140,743
2010	140,743
2011	81,576
2012	81,576
2013	81,576
Thereafter	6,798
	$ 533,012

Rent expenses incurred on all operating leases totaled approximately $1,113,000 and $1,410,000 for the years ended June 30, 2008 and 2007, respectively.

Note 12. Commitment and Contingencies

Medicare Reimbursement: For the years ended June 30, 2008 and 2007, the Hospital recognized approximately $143,384,000 and $156,079,000, respectively, of gross patient service revenues from services provided to Medicare beneficiaries. Changes in Medicare reimbursement as a result of the Centers for Medicare & Medicaid Services (CMS) implementation of the provisions of future Medicare legislation may have an adverse effect on the Hospital's net patient service revenue. Fiscal year 2007 represents the first of a three-year phase-in period for implementation of a revised Medicare Diagnosis Related Group (DRG) reimbursement system. This new payment methodology makes meaningful refinements to the current CMS classification system to increase recognition of severity of illness. However, there will be a limited impact on payments in specific DRG's because of the simultaneous implementation of incremental reforms for cost-based and severity-adjusted payments. Management has not determined the reimbursement impact of this change in reimbursement for the Hospital.

Note 12. Commitment and Contingencies (Continued)

Medicaid Reimbursement: For the years ended June 30, 2008 and 2007, the Hospital recognized approximately $85,715,000 and $84,031,000, respectively, of gross patient service revenues provided to Medicaid patients. The Hospital's net patient service revenue for the years ended June 30, 2008 and 2007 includes approximately $1,794,000 and $1,917,000, respectively, of high volume adjustments and other add-on payments from the Illinois Medicaid program. The amount of additional reimbursement from the Illinois Medicaid program which will be made to hospitals in the future is uncertain, and future legislative changes to reimbursements provided to hospitals could have a material adverse effect on the Hospital's operating results.

Medicaid Hospital Assessment Program: The Hospital's operations for the years ended June 30, 2008 and June 30, 2007 benefited from the Medicaid Hospital Assessment Program (Program) net reimbursement of approximately $3,082,000 and $6,164,000, respectively. The Program expired June 30, 2008 and there is no assurance that it will be continued.

CMS RAC Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006, which authorized the expansion of the RAC program to all 50 states. CMS is in the process of rolling out this program nationally. As such, the Hospital may be subject to such an audit at some time in the future.

Illinois Hospital Uninsured Patient Discount Act: On May 30, 2008, the Illinois legislature passed a bill titled the "Hospital Uninsured Patient Discount Act" (Act). Once signed by the Governor of Illinois, this Act will require hospitals to provide certain mandated discounts from charges to the uninsured in Illinois. Charges are to be discounted to 135% of cost. Furthermore, a hospital may not collect more than 25% of an uninsured family's gross income in any one year. Once the Governor signs the bill, hospitals will have 180 days to prepare for implementation to accommodate the provisions of the Act. The Hospital is in the process of determining the impact of this Act and is developing procedures in order to implement the Act.

Litigation: The Hospital is involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's financial position or results of operations.

Regulatory Investigation: The U.S. Department of Justice, other federal agencies and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material effect on the Hospital's financial position or results from operations.

Note 12. Commitment and Contingencies (Continued)

Contingency: Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. The Hospital has a legal obligation to remove hazardous material from its facilities in the event the facilities are renovated or replaced. Such hazardous materials include asbestos. Since inception of Holy Cross Hospital and throughout its 78-year history, management has renovated, replaced, or newly constructed the majority of the physical plant facilities, resulting in only a small portion of the facilities with any remaining hazardous material. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Hospital may settle the obligation is unknown. However, management does not believe that the estimate of the liability related to these asset retirement activities is a material amount at June 30, 2008.

Grant from State of Illinois: The State of Illinois awarded a grant to the Hospital in August 2006 totaling $7,700,000 to be used for the expansion of emergency services and life/safety improvements to the physical facility. To date, 90% of the funds, $6,930,000, have been received based on completion of construction drawings and documentation of life/safety improvement expenses. The Hospital has entered into contracts related to this project of approximately $7,700,000, and the project is scheduled to be completed by December 2008. Grant revenue received of $3,465,000 for the year ended June 30, 2007 is included in temporarily restricted net assets as contributions. The balance remaining in temporarily restricted net assets at June 30, 2008 is $4,180,299, representing unexpended funds towards the construction project.

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McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Board of Trustees
Holy Cross Hospital
Chicago, Illinois

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Chicago, Illinois
September 26, 2008

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATING BALANCE SHEET
June 30, 2008

ASSETS	Holy Cross Hospital	Holy Cross Health Partners	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	$ 7,055,028	$ 726,755	$ -	$ 7,781,783
Assets whose use is limited - externally designated under bond agreements	413,876	-	-	413,876
Patient accounts receivable, less allowances for uncollectible amounts	14,371,609	-	-	14,371,609
Contribution receivable	-	-	-	-
Inventory	1,452,130	-	-	1,452,130
Due from third-party payors	-	-	-	-
Due from affiliates	485,056	-	(485,056)	-
Prepaid expenses and other current assets	2,054,071	391,997	-	2,446,068
Total current assets	25,831,770	1,118,752	(485,056)	26,465,466
Assets Whose Use is Limited, net of amounts required to meet current obligations				
Internally designated for capital improvements	1,206,432	-	-	1,206,432
Externally designated under bond agreements	-	-	-	-
Externally designated under grant agreements	4,180,299	-	-	4,180,299
	5,386,731	-	-	5,386,731
Other Investments	1,223,507	-	-	1,223,507
Property and Equipment, net	39,319,081	-	-	39,319,081
Other Assets	7,058	-	-	7,058
Deferred Bond Issuance Costs, net	362,351	-	-	362,351
Total assets	$ 72,130,498	$ 1,118,752	$ (485,056)	$ 72,764,194

LIABILITIES AND NET ASSETS (DEFICIT)	Holy Cross Hospital	Holy Cross Health Partners	Eliminations	Consolidated
Current Liabilities				
Notes payable	$ 1,032,496	$ -	$ -	$ 1,032,496
Current portion of long-term debt	242,461	-	-	242,461
Accounts payable	8,335,809	937,536	-	9,273,345
Due to affiliates	-	485,056	(485,056)	-
Accrued salaries and expenses	6,595,464	517,209	-	7,112,673
Accrued interest	35,015	-	-	35,015
Current portion of accrued pension and postretirement benefits	303,000	-	-	303,000
Due to third-party payors	3,545,595	-	-	3,545,595
Total current liabilities	20,089,840	1,939,801	(485,056)	21,544,585
Noncurrent Liabilities				
Long-term debt, less current portion	17,905,221	-	-	17,905,221
Accrued pension and postretirement benefits, net of current portion	6,850,597	-	-	6,850,597
Professional liability	3,050,000	-	-	3,050,000
Total noncurrent liabilities	27,805,818	-	-	27,805,818
Total liabilities	47,895,658	1,939,801	(485,056)	49,350,403
Net Assets (Deficit)				
Unrestricted	19,784,716	(821,049)	-	18,963,667
Temporarily restricted	4,450,124	-	-	4,450,124
Total net assets (deficit)	24,234,840	(821,049)	-	23,413,791
Total liabilities and net assets (deficit)	$ 72,130,498	$ 1,118,752	$ (485,056)	$ 72,764,194

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATING BALANCE SHEET
June 30, 2007

ASSETS	Holy Cross Hospital	Holy Cross Health Partners	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	$ 6,386,924	$ 1,365,960	$ -	$ 7,752,884
Assets whose use is limited - externally designated under bond agreements	1,094,567	-	-	1,094,567
Patient accounts receivable, less allowances for uncollectible amounts	15,059,270	-	-	15,059,270
Contribution receivable	3,625,333	-	-	3,625,333
Inventory	1,567,012	-	-	1,567,012
Due from third-party payors	7,748,664	-	-	7,748,664
Due from affiliates	10,653	-	(10,653)	-
Prepaid expenses and other current assets	759,031	97,593	-	856,624
Total current assets	36,251,454	1,463,553	(10,653)	37,704,354
Assets Whose Use is Limited, net of amounts required to meet current obligations				
Internally designated for capital improvements	1,161,091	-	-	1,161,091
Externally designated under bond agreements	1,462,711	-	-	1,462,711
Externally designated under grant agreements	2,768,196	-	-	2,768,196
	5,391,998	-	-	5,391,998
Other Investments	963,782	-	-	963,782
Property and Equipment, net	32,794,710	-	-	32,794,710
Other Assets	9,624	-	-	9,624
Deferred Bond Issuance Costs, net	387,921	-	-	387,921
Total assets	$ 75,799,489	$ 1,463,553	$ (10,653)	$ 77,252,389

LIABILITIES AND NET ASSETS (DEFICIT)	Holy Cross Hospital	Holy Cross Health Partners	Eliminations	Consolidated
Current Liabilities				
Notes payable	$ 4,082,496	$ -	$ -	$ 4,082,496
Current portion of long-term debt	900,073	-		900,073
Accounts payable	6,197,129	774,563		6,971,692
Due to affiliates	-	10,653	(10,653)	-
Accrued salaries and expenses	5,783,989	1,499,386		7,283,375
Accrued interest	647,853			647,853
Current portion of accrued pension and postretirement benefits	284,000	-	-	284,000
Due to third-party payors	8,323,246	-		8,323,246
Total current liabilities	26,218,786	2,284,602	(10,653)	28,492,735
Noncurrent Liabilities				
Long-term debt, less current portion	20,467,102	-	-	20,467,102
Accrued pension and postretirement benefits, net of current portion	2,664,947	-	-	2,664,947
Professional liability	2,900,000	-	-	2,900,000
Total noncurrent liabilities	26,032,049	-	-	26,032,049
Total liabilities	52,250,835	2,284,602	(10,653)	54,524,784
Net Assets (Deficit)				
Unrestricted	16,918,249	(821,049)	-	16,097,200
Temporarily restricted	6,630,405	-	-	6,630,405
Total net assets (deficit)	23,548,654	(821,049)	-	22,727,605
Total liabilities and net assets (deficit)	$ 75,799,489	$ 1,463,553	$ (10,653)	$ 77,252,389

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATING SCHEDULE OF OPERATIONS
Year Ended June 30, 2008

	Holy Cross Hospital	Holy Cross Health Partners	Eliminations	Consolidated
Revenues:				
Net patient service revenue	$ 111,142,732	$ -	$ -	$ 111,142,732
Capitation revenue	276,725	5,156,358	-	5,433,083
Investment income	70,955	-	-	70,955
Other revenue	5,056,193	-	(486,064)	4,570,129
Medicaid hospital assessment revenue	7,748,665	-	-	7,748,665
Net assets released from restrictions - used for operations	381,320	-	-	381,320
	124,676,590	5,156,358	(486,064)	129,346,884
Expenses:				
Salaries and employee benefits	57,631,310	-	-	57,631,310
Professional fees	7,337,902	3,689,313	-	11,027,215
Food, drugs and medical supplies	13,299,009	-	-	13,299,009
Supplies, utilities and other	18,319,900	1,512,463	(486,064)	19,346,299
Medicaid hospital assessment expense	4,666,348	-	-	4,666,348
Provision for uncollectible accounts	14,453,325	-	-	14,453,325
Depreciation and amortization	4,104,863	-	-	4,104,863
Interest	1,252,816	-	-	1,252,816
	121,065,473	5,201,776	(486,064)	125,781,185
Income (loss) from operations	3,611,117	(45,418)	-	3,565,699
Nonoperating income (loss):				
Investment income	305,288	45,418	-	350,706
Loss on extinguishment of debt	(525,664)			(525,664)
Total nonoperating income, net	(220,376)	45,418	-	(174,958)
Excess of revenues over expenses	3,390,741	-	-	3,390,741
Contribution of equipment	1,804,372	-	-	1,804,372
Net assets released from restrictions - used for property and equipment	2,378,659	-	-	2,378,659
Increase in unrestricted net assets before pension-related changes	$ 7,573,772	$ -	$ -	$ 7,573,772

HOLY CROSS HOSPITAL AND AFFILIATE

CONSOLIDATING SCHEDULE OF OPERATIONS
Year Ended June 30, 2007

	Holy Cross Hospital	Holy Cross Health Partners	Eliminations	Consolidated
Revenues:				
Net patient service revenue	$ 109,110,687	$ -	$ -	$ 109,110,687
Capitation revenue	260,739	8,165,997	-	8,426,736
Investment income	156,352	-	-	156,352
Other revenue	2,337,779	-	(400,321)	1,937,458
Medicaid hospital assessment revenue	15,497,328	-	-	15,497,328
Net assets released from restrictions - used for operations	59,960	-	-	59,960
	127,422,845	8,165,997	(400,321)	135,188,521
Expenses:				
Salaries and employee benefits	55,521,868	-	-	55,521,868
Professional fees	7,032,809	7,027,090	-	14,059,899
Food, drugs and medical supplies	13,973,817	-	-	13,973,817
Supplies, utilities and other	18,674,324	1,185,080	(400,321)	19,459,083
Medicaid hospital assessment expense	9,332,697	-	-	9,332,697
Provision for uncollectible accounts	14,101,323	-	-	14,101,323
Depreciation and amortization	3,870,271	-	-	3,870,271
Interest	1,785,705	-	-	1,785,705
	124,292,814	8,212,170	(400,321)	132,104,663
Income (loss) from operations	3,130,031	(46,173)	-	3,083,858
Investment income	224,663	46,173	-	270,836
Excess of revenues over expenses	3,354,694	-	-	3,354,694
Net assets released from restrictions - used for property and equipment	804,832	-	-	804,832
Increase in unrestricted net assets before pension-related changes	$ 4,159,526	$ -	$ -	$ 4,159,526