RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Financial Statements and Schedules

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

ATTACHMENT 39

KPMG

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

Board of Directors
Resurrection Health Care Corporation:

We have audited the accompanying consolidated statements of financial position of Resurrection Health Care Corporation and Affiliates as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Resurrection Health Care Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Resurrection Health Care Corporation and Affiliates' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of Resurrection Health Care Corporation and Affiliates as of June 30, 2010 and 2009, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in schedules 1 and 2 is presented for purposes of additional analysis of the 2010 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 audit of the 2010 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 consolidated financial statements taken as a whole.

KPMG LLP

November 22, 2010

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2010 and 2009

(In thousands)

Assets		2010	2009
Current assets:			
Cash and cash equivalents	$	63,091	41,410
Assets whose use is limited or restricted – required for current liabilities		256,030	379,482
Patient and resident accounts receivable, net of allowance for uncollectible accounts of $88,655 in 2010 and $74,322 in 2009		142,913	165,219
Other receivables		10,900	13,204
Inventory of supplies		14,840	13,960
Estimated receivables under third-party reimbursement programs		—	1,396
Prepaid expenses and other current assets		26,940	27,488
Assets held for sale		64,527	159,353
Total current assets		579,241	801,512
Assets whose use is limited or restricted:			
By boards for reinvestment and self-insurance		481,843	297,342
Under bond indenture agreements – held by trustee		22,813	29,260
By donors – permanently restricted		13,186	14,319
		517,842	340,921
Land, buildings, and equipment, net		696,657	718,348
Deferred finance charges, net		9,934	9,653
Other assets		20,778	17,722
	$	1,824,452	1,888,156

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2010	2009
Current liabilities:			
Current installments of long-term debt	$	257,411	379,482
Accounts payable and accrued expenses		82,943	84,010
Accrued payroll and fringe benefits		59,250	58,871
Estimated payables under third-party reimbursement programs		108,886	97,228
Deferred revenue and refundable deposits		39,409	42,099
Liabilities held for sale		17,238	17,726
Total current liabilities		565,137	679,416
Long-term debt, excluding current installments and unamortized bond discount		339,078	256,767
Accrued pension liability		271,941	245,673
Estimated self-insured professional and general liability claims		246,405	251,671
Asset retirement obligation		10,643	10,622
Total liabilities		1,433,204	1,444,149
Net assets:			
Unrestricted		364,812	416,932
Temporarily restricted		13,250	12,756
Permanently restricted		13,186	14,319
Total net assets		391,248	444,007
	$	1,824,452	1,888,156

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2010 and 2009

(In thousands)

	2010	2009
Revenue:		
Net service revenue	$ 1,318,468	1,306,678
Other revenue	100,711	105,521
Total revenue	1,419,179	1,412,199
Expenses:		
Salaries and wages	520,370	539,396
Payroll taxes and fringe benefits	164,980	156,925
Physicians' fees	67,028	68,899
Supplies	197,582	207,097
Other	129,950	133,655
Purchased services	68,157	65,654
Insurance	23,305	35,608
Depreciation and amortization	72,644	71,941
Provision for uncollectible accounts receivable	99,518	94,979
Interest	17,594	23,141
Assessments and taxes	54,039	50,537
Total expenses, before impairment costs	1,415,167	1,447,832
Income (loss) before impairment costs	4,012	(35,633)
Impairment costs	—	621
Income (loss) from operations	4,012	(36,254)
Nonoperating gains (losses):		
Investment income (loss) and other, net	95,414	(42,902)
Unrestricted contributions	1,109	14
Loss on early extinguishment of long-term debt	(1,022)	—
Net nonoperating gains (losses)	95,501	(42,888)
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	99,513	(79,142)
Loss from discontinued operations (including loss on sale of $81,865 in 2010)	108,207	32,478
Revenue and gains deficient of expenses and losses	(8,694)	(111,620)
Other changes in unrestricted net assets:		
Net assets released from restrictions for purchase of land, buildings, and equipment	2,956	6,442
Recognition of change in pension funded status	(46,382)	(64,197)
Decrease in unrestricted net assets	$ (52,120)	(169,375)

See accompanying notes to consolidated financial statements.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2010 and 2009

(In thousands)

		2010	2009
Unrestricted net assets:			
Revenue and gains deficient of expenses and losses	$	(8,694)	(111,620)
Net assets released from restrictions for purchase of land, buildings, and equipment		2,956	6,442
Recognition of change in pension funded status		(46,382)	(64,197)
Decrease in unrestricted net assets		(52,120)	(169,375)
Temporarily restricted net assets:			
Pledges and contributions		4,054	4,777
Investment return		604	307
Reclassification of net assets based on donor intent		1,300	415
Net assets released from restrictions for purchase of land, building, and equipment		(2,956)	(6,442)
Net assets released from restrictions for operations		(2,508)	(4,520)
Increase (decrease) in temporarily restricted net assets		494	(5,463)
Permanently restricted net assets:			
Reclassification of net assets based on donor intent		(1,300)	(415)
Contributions		167	242
Decrease in permanently restricted net assets		(1,133)	(173)
Change in net assets		(52,759)	(175,011)
Net assets at beginning of year		444,007	619,018
Net assets at end of year	$	391,248	444,007

See accompanying notes to consolidated financial statements.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2010 and 2009

(In thousands)

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	(52,759)	(175,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Loss from discontinued operations		108,207	32,478
Depreciation and amortization		72,644	71,941
Provision for uncollectible accounts receivable		99,518	94,979
Loss on early extinguishment of long-term debt		1,022	—
Equity loss (gain) in joint ventures, net of cash distributions received		1,127	(175)
Impairment costs		—	621
Amortization of deferred occupancy and care revenue		(200)	(370)
Recognition of change in pension funded status		46,382	64,197
Change in net unrealized gains and losses on trading securities		(65,829)	62,514
Permanently restricted contributions		(167)	(242)
Changes in assets and liabilities:			
Patient and resident accounts receivable		(77,212)	(106,658)
Other receivables, inventory of supplies, prepaid expenses, and other current assets		1,972	4,407
Accounts payable and accrued expenses and other liabilities		(667)	(7,513)
Estimated payables under third-party reimbursement programs, net		13,054	6,933
Accrued pension liability		(20,114)	29,370
Estimated self-insured professional and general liability claims		(5,266)	(3,843)
Net cash provided by operating activities		121,712	73,628
Net cash used in discontinued operating activities		(23,842)	(3,884)
Cash flows from investing activities:			
Acquisition of land, buildings, and equipment, net		(50,953)	(82,311)
Gross purchases of securities		(675,978)	(530,367)
Gross sales or maturities of securities		688,338	581,447
Capital contributions to joint ventures		—	(1,228)
Net change in other assets		(4,183)	(97)
Net cash used in investing activities		(42,776)	(32,556)
Net cash used in discontinued investing activities		(6,455)	(20,341)
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt		103,805	—
Repayments of long-term debt		(143,565)	(14,861)
Payments for deferred financing fees		(1,303)	—
Net refunds of entrance fees and membership deposits		(2,490)	(2,114)
Permanently restricted contributions		167	242
Net cash used in financing activities		(43,386)	(16,733)
Net cash provided by discontinued financing activities		16,428	18,443
Net increase in cash and cash equivalents		21,681	18,557
Cash and cash equivalents at beginning of year		41,410	22,853
Cash and cash equivalents at end of year	$	63,091	41,410
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	17,229	22,984

See accompanying notes to consolidated financial statements.

(1) Organization and Operations

Resurrection Health Care Corporation (RHC), a not-for-profit tax-exempt corporation, was incorporated for charitable, educational, and scientific purposes to support health and human services by providing management assistance and in all other relevant ways. The accompanying consolidated financial statements include the accounts of RHC and the following affiliates (collectively, RHC and Affiliates) for which it serves as the parent corporation through ownership, sole member powers, the authority to approve Board membership, or the holding of certain reserve powers:

- Resurrection Medical Center (RMC), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Saint Francis Hospital (SFH), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Our Lady of the Resurrection Medical Center (OLR), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Westlake Hospital (WH), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Saints Mary and Elizabeth Medical Center (SMEMC), not-for-profit acute care facilities providing various inpatient and outpatient services and programs
- Holy Family Medical Center (HFMC), a not-for-profit long-term acute care hospital providing various services and programs to patients in between acute care and skilled nursing
- Saint Joseph Hospital (SJH), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- West Suburban Medical Center (WSMC), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Resurrection Senior Services (Senior Services), which provides various independent living and nursing services and programs and, which encompasses the following: Resurrection Nursing and Rehabilitation Center (RNRC), Resurrection Retirement Community (RRC), Resurrection Life Center (RLC), St. Francis Nursing and Rehabilitation Center (SFNR), Bethlehem Woods Retirement Community (BWRC), Casa San Carlo Retirement Community (CSCRC), St. Benedict Nursing and Rehabilitation Center (SBNRC), Villa Scalabrini Nursing and Rehabilitation Center (VSNRC), Maryhaven Nursing and Rehabilitation Center (MNRC), St. Andrew Life Center (SALC), Holy Family Nursing and Rehabilitation Center (HFNRC), Resurrection Nursing Home (RNH), and Mt. Loretto Nursing Home (MLNH)
- Resurrection Services (Services), which encompasses the following corporations and/or operating divisions: Resurrection Ambulatory Care Services (RACS), Resurrection Properties (RP), Resurrection Pharmacies, and Resurrection Medical Network
- Resurrection Behavioral Health (RBH), a not-for-profit corporation established to provide behavioral health services

- Resurrection Home Health Services (Home Care), a not-for-profit corporation established to provide home care services. Home Care also includes RHC's membership interest in Rainbow Hospice.
- Resurrection Development Foundation (Foundation), a not-for-profit corporation established to coordinate fund-raising activities that support the benevolent care and other programs at RHC and Affiliates
- Resurrection Health Care Preferred (RHCP), a systemwide managed care contracting organization that engages physicians in capitated risk contracts

The above listed entities are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and, with the exception of RHCP, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

(2) Summary of Significant Accounting Policies

Significant accounting policies of RHC and Affiliates are as follows:

- The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard which established the Codification to become the single source of authoritative accounting principles. The standard also provides the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are represented in conformity with U.S. generally accepted accounting principles (GAAP). All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change GAAP, but is expected to simplify accounting research by reorganizing current GAAP into specific accounting topics. RHC and Affiliates adopted this accounting standard in 2010. The adoption of this accounting standard, which was subsequently codified in Accounting Standards Codification (ASC) Topic 105, *Generally Accepted Accounting Principles*, had no impact on RHC and Affiliates' results of operations, financial position, and liquidity.
- Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with maturities of three months or less, excluding amounts classified as assets whose use is limited or restricted.
- Inventory of supplies is stated at lower of cost (first-in, first-out method) or market.
- On July 1, 2008, RHC and Affiliates adopted ASC Subtopic 820-10, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. This pronouncement did not require any new fair value measurements and its adoption did not affect the results of operations or financial position of RHC and Affiliates. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (note 7).

- Assets whose use is limited or restricted include: assets set aside by the boards of directors for debt repayment, reinvestment, and self-insurance purposes, over which the boards retain control and may at their discretion use for other purposes; assets held by a trustee under bond indenture agreements; and funds restricted by donors.
- Except as otherwise noted, the carrying value of all financial instruments approximates their fair values.
- Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation, net of allowances for depreciation and impairments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.
- Deferred finance charges, bond discount, and bond premium are amortized on the straight-line basis over the periods the related obligations are outstanding.
- Deferred revenue and refundable deposits represent various types of entrance and membership fees received from residents of senior living facilities. RRC resident membership deposits are fully refundable, net of applicable processing fees, to the resident upon termination of the lease agreement between RRC and the resident, with any interest earned on such deposits accruing to RRC. BWRC and CSCRC offer a variety of partially refundable entrance fees. These entrance payments are included with deferred revenue and refundable deposits in the accompanying consolidated statements of financial position. Total entrance payments subject to refund at June 30, 2010 and 2009 approximated $37,324 and $39,969, respectively.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to temporarily restricted net assets 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- Temporarily restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets principally represent amounts restricted for the purpose of acquiring long-lived assets or for specific operating purposes. During 2010 and 2009, certain donors clarified their intentions for previously recorded gifts. Such reclassified amounts are reported as reclassifications of net assets based on donor intent in the accompanying consolidated statements of operations and changes in net assets.

(Continued)

- Permanently restricted net assets represent donor-restricted contributions, the principal amount of which may not be expended. Amounts reported as permanently restricted net assets represent the cumulative amount of contributions received for permanent endowment. Investment return currently earned on permanently restricted investments is reported as either nonoperating investment income or a direct addition to temporarily restricted net assets based on donor intentions.

  In August 2008, the FASB issued ASC Topic 958, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to An Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds.* ASC Topic 958 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization and requires additional disclosure about endowment funds. RHC and Affiliates have adopted ASC Topic 958 as of July 1, 2008.

  Effective June 30, 2009, the State of Illinois adopted UPMIFA, which establishes guidelines for the prudent spending and preservation of endowment funds through the establishment of a UPMIFA compliant endowment spending policy.

  RHC and Affiliates classify as permanently restricted net assets the original value of gifts donated to the permanent endowment. Investment returns in excess of approved spending are classified within temporarily restricted net assets until appropriated for expenditure by RHC and Affiliates.

  Endowment funds are commingled in a pooled investment portfolio administered by RHC (note 6). RHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RHC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints. Investment return is allocated to endowment fund assets on a basis proportional to its percentage of the investment portfolio. RHC endowment fund assets are maintained at a level equivalent to the balance of permanently restricted net assets.

- Net service revenue is reported at the estimated net realizable amounts from patients and residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Those 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.

- The consolidated statements of operations include revenue and gains in excess (deficient) of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of health and residential care services are reported as revenue and expenses. Transactions incidental to the provision of health and residential care services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess (deficient) of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and recognition of changes in pension funded status.

- RHC and Affiliates account for discontinued operations under ASC guidance surrounding accounting for the impairment or disposal of long-lived assets. The guidance requires that a component entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component entity has been disposed of or is classified as held-for-sale, the results of operations for current and prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations.
- Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in revenue and gains in excess (deficient) of expenses and losses unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily restricted net assets. Investment returns of temporarily restricted investments are recorded directly to temporarily restricted net assets in accordance with donor intent.
- RHC and Affiliates recognize liabilities when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. An ARO liability is recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. RHC and Affiliates are legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing buildings. The estimated asbestos removal cost at June 30, 2010 and 2009 was $10,643 and $10,622, respectively.
- RHC and Affiliates recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. RHC and Affiliates do not have any liabilities for unrecognized tax benefits.
- RHC and Affiliates incur expenses for the provision of health and residential care services and related general and administrative activities.
- All significant intercompany balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.
- Certain 2009 amounts have been reclassified to conform to the 2010 consolidated financial statement presentation.

(3) Third-Party Reimbursement Programs

RHC and Affiliates have agreements with third-party payors, which provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs principally represent the difference between the billings at list price and the amounts reimbursed by Blue Cross and certain other contracted third-party payors; the difference between the billings at list price and the allocated cost of services provided to Medicare and Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors follows:

(a) Medicare

RMC, OLR, SFH, WH, SMEMC, HFMC, SJH, and WSMC (collectively known as the Hospitals) and Senior Services are paid for inpatient acute care services, long-term care services, outpatient services, psychiatric services, rehabilitation services, and home health services rendered to Medicare program beneficiaries under prospective reimbursement rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospitals' classification of patients under the Medicare prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

For certain services and activities (medical education, Medicare bad debts, and indigent care) the Hospitals are reimbursed by Medicare based upon cost reimbursement methodologies. The Hospitals are reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by the Medicare fiscal intermediary. The Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through 2009 for HFMC and through 2007 for RMC, SFH, OLR, SMEMC, SJH, WH, and WSMC.

(b) Medicaid

Under the State of Illinois' (the State) Medicaid reimbursement system, the Hospitals are paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Senior Services are reimbursed based upon an all inclusive per-diem rate. SMEMC also receives incremental Medicaid reimbursement for specific Programs and services at the discretion of the State Medicaid program. Medicaid reimbursement methodologies and payment rates are subject to change based on the amount of funding available to the State Medicaid program and any such changes could have a significant effect on RHC and Affiliates' revenues.

The State has an assessment program to assist in the financing of its Medicaid program which is in effect through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare & Medicaid Services (CMS). RHC and Affiliates have included their 2010 and 2009 related assessments of $48,811 within assessments and taxes expense in the accompanying consolidated statements of operations. The assessment program also provides hospitals within the

(In thousands)

State with additional Medicaid reimbursement based on funding formulas also approved by CMS. RHC and Affiliates have included their additional 2010 and 2009 related reimbursement of $80,705 within net service revenue in the accompanying consolidated statements of operations.

(c) ***Blue Cross***

The Hospitals also participate as providers of health care services under reimbursement agreements with Blue Cross. The provisions of these agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of annual cost reports by the Hospitals and reviews thereof by Blue Cross. The Blue Cross traditional indemnity reimbursement reports for 2009 and prior years have been reviewed by Blue Cross. The Blue Cross HMOI, PPO, and MCNP reimbursement reports have been reviewed by Blue Cross through 2009 for RMC, SFH, WH, SMEMC, SJH, and HFMC.

(d) ***Other***

The Hospitals have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

A summary of gross and net service revenue for the years ended June 30, 2010 and 2009 follows:

		2010	2009
Service revenue:			
Nursing, dietary, and room service	$	984,031	719,756
Ancillary services		2,784,742	2,771,613
Long-term care services		152,248	146,635
Retirement communities		24,403	23,353
Ambulatory care services		10,905	8,962
Apothecary, durable medical equipment, home, health services, and other		28,404	28,923
Gross service revenue		3,984,733	3,699,242
Less provisions for estimated contractual adjustments under third-party reimbursement programs and other discounts and allowances		2,666,265	2,392,564
Net service revenue	$	1,318,468	1,306,678

(In thousands)

A summary of RHC and Affiliates' Medicare, Medicaid, managed care, self-pay, and commercial utilization percentages based upon gross service revenue follows:

	2010	2009
Medicare	46%	47%
Medicaid	19	18
Managed care	25	25
Self-pay, commercial, and other	10	10

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois. Included in 2010 and 2009 as additions to net service revenue is $4,226 and $9,589, respectively, related to changes in prior year third-party revenue estimates.

(4) Concentration of Credit Risk

RHC and Affiliates grant credit without collateral to their patients, most of who are local residents and are generally insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2010 and 2009 was as follows:

	2010	2009
Medicare	35%	33%
Medicaid	17	21
Managed care	26	25
Self-pay	12	14
Commercial and other	10	7

(5) Charity Care

RHC and Affiliates provide necessary medical care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because RHC and Affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The following information presents the level of charity care provided during the years ended June 30, 2010 and 2009:

	2010	2009
Charges forgone for non-Medicare and non-Medicaid patients, based on established rates	$ 86,894	52,919

(In thousands)

(6) Investments

RHC and Affiliates report their investments at fair value and consider all investments to be trading securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position. A summary of the composition of the RHC and Affiliates' investment portfolios at June 30, 2010 and 2009 follows:

		2010	2009
Cash and cash equivalents	$	41,322	59,127
Common stocks and mutual funds		226,132	114,504
U.S. Treasury securities		88,081	56,522
Corporate and municipal bonds and notes		308,991	308,240
U.S. government agency securities		109,346	182,010
	$	773,872	720,403

Investments are reported in the accompanying consolidated statements of financial position at June 30 as follows:

		2010	2009
Assets whose use is limited or restricted – required for current liabilities	$	256,030	379,482
Assets whose use is limited or restricted, less amounts required for current liabilities:			
By boards for reinvestment and self-insurance		481,843	297,342
Under bond indenture agreements – held by trustee		22,813	29,260
By donors – permanently restricted		13,186	14,319
	$	773,872	720,403

The composition of investment return on the RHC and Affiliates' investment portfolio for the years ended June 30, 2010 and 2009 is as follows:

		2010	2009
Interest and dividend income, net of fees and expenses	$	36,706	36,239
Net realized losses on sale of investments		(3,711)	(17,098)
Net change in unrealized gains and losses during the holding period		65,829	(62,514)
	$	98,824	(43,373)

(Continued)

(In thousands)

Investment returns are included in the accompanying consolidated financial statements for the years ended June 30, 2010 and 2009 as follows:

		2010	2009
Nonoperating gains (losses) – investment income (loss) and other, net	$	98,220	(43,680)
Temporarily restricted investment return		604	307
	$	98,824	(43,373)

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by RHC and Affiliates in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and estimated receivables and payables under third-party reimbursement programs.
- Assets whose use is limited or restricted: common stocks and mutual funds, and U.S. Treasury securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate and municipal bonds and notes and U.S. government agency securities are estimated based on observable market inputs as provided by national pricing services. The carrying value equals fair value.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

(b) Fair Value Hierarchy

RHC and Affiliates adopted ASC Subtopic 820-10 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable market inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that RHC and Affiliates have the ability to access at the measurement date.

(In thousands)

- Level 2 are observable market inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable market inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2010:

		June 30, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Cash and cash equivalents	$	63,091	63,091	—	—
Assets whose use is limited or restricted		773,872	355,535	418,337	—
Total	$	836,963	418,626	418,337	—

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2009:

		June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Cash and cash equivalents	$	41,410	41,410	—	—
Assets whose use is limited or restricted		720,403	230,153	490,250	—
Total	$	761,813	271,563	490,250	—

(8) Asset Divestitures

Effective August 1, 2010, RHC sold substantially all of the assets and certain liabilities of and associated with WSMC, WH, and certain physician practices, properties, and retail pharmacies associated with Services (collectively referred to herein as the Entities). Pursuant to the Asset Purchase Agreement (Agreement), RHC sold substantially all the assets of the Entities including fixed assets, patient accounts receivable, and inventory. The net book value of the Entities' assets that were purchased by the buyer at date of sale approximated $143,895. Accounts payable and accrued expenses assumed by the buyer at date of sale approximated $16,962. RHC received net cash proceeds from the sale of $45,068. RHC recognized a loss on the sale of $81,865 in fiscal 2010.

The purchase price of the Entities, as defined in the Agreement, was $40,000 based on net working capital of $15,000. On August 1, 2010, the estimated net working capital of the Entities was $20,068. Included in the net cash proceeds collected by RHC of $45,068 are the purchase price and the excess of net working capital on August 1, 2010 above the amount specified in the Agreement. The Agreement also includes a provision for final settlement of the purchase consideration based on actual net working capital as of the date of sale.

Effective July 1, 2010, Senior Services sold substantially all of the assets of and associated with SFNR. Pursuant to the Asset Purchase Agreement, Senior Services sold substantially all the assets of SFNR including fixed assets, rights and obligations under resident agreements, resident accounts receivable, and inventory. The net book value of SFNR's assets that were purchased by the buyer at date of sale approximated $1,668. Deferred revenue and liabilities attributable to entrance fees assumed by the buyer at date of sale approximated $281. Senior Services received net cash proceeds from the sale of $6,480. Senior Services recognized a gain on the sale of $5,093 in fiscal 2011.

The Entities' and SFNR's assets and liabilities are classified as held-for-sale in the accompanying consolidated statements of financial position. The operations of the Entities and SFNR have been presented in the accompanying consolidated statements of operations as discontinued operations. The results of the Entities' and SFNR's operations, including the loss on the Entities' sale transaction, are reported in the accompanying consolidated statements of operations as loss from discontinued operations. Further, all net cash flows related to the operating, investing, and financing activities of the Entities and SFNR are reported separately as discontinued operations in the accompanying consolidated statements of cash flows.

Effective with the divestiture of the Entities, employees of the Entities will no longer be eligible for participation in the retirement plans sponsored by RHC (note 11). RHC will offer each employee who will no longer be eligible for participation in the RHC cash balance plans the option of receiving a lump-sum settlement of their benefit in their cash balance account. Gains or losses from the settlement of cash balance accounts will be recognized as gain or loss on discontinued operations at time of settlement.

(In thousands)

A summary of the operating components of the loss from discontinued operations for the Entities and SFNR for the years ended June 30, 2010 and 2009 is as follows:

		2010	2009
Revenue	$	280,436	285,686
Expenses		306,624	318,784
Nonoperating gains (losses)		(154)	620
Loss from discontinued operations	$	(26,342)	(32,478)

(9) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2010 and 2009 follows:

		2010	2009
Land	$	59,993	59,993
Land improvements		39,041	39,545
Buildings and building equipment		926,051	960,302
Departmental equipment		567,191	701,430
		1,592,276	1,761,270
Less accumulated depreciation		971,850	1,089,048
		620,426	672,222
Construction in progress		76,231	46,126
Land, buildings, and equipment, net	$	696,657	718,348

Construction in progress at June 30, 2010 and 2009 consists primarily of costs associated with various projects including the construction of a bed tower at RMC. The remaining costs associated with these projects at June 30, 2010 are approximately $10,034, substantially all of which have been contractually committed. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project specific borrowed funds. For the years ended June 30, 2010 and 2009, RHC capitalized interest cost of $1,761 and $0, respectively.

Impairment Costs

RHC and Affiliates periodically evaluate land, buildings, and equipment to determine whether assets may have been impaired in accordance with ASC guidance surrounding accounting for the impairment or disposal of long-lived assets. Such analyses require various valuation techniques using management assumptions, including estimates of future cash flows as well as third-party appraisals of the assets. As a result, there is at least a reasonable possibility that recorded estimates of fair value and impairment will change by a material amount.

(Continued)

(In thousands)

In 2009, a property no longer in use was deemed to be impaired and an impairment loss of $621 was recognized to write the asset down to estimated fair value.

(10) Long-Term Debt

A summary of long-term debt at June 30, 2010 and 2009 follows:

		2010	2009
Fixed Rate Revenue Bonds (Series 2009)	$	101,040	—
Variable Rate Revenue Bonds (Series 2008A)		—	49,185
Variable Rate Revenue Bonds (Series 2008B)		—	49,185
Variable Rate Revenue Bonds (Series 2005A)		—	26,130
Variable Rate Revenue Bonds (Series 2005B)		119,140	119,240
Variable Rate Revenue Bonds (Series 2005C)		119,775	119,775
Fixed Rate Revenue Bonds (Series 1999A)		104,400	108,200
Fixed Rate Revenue Bonds (Series 1999B)		104,400	108,200
Revenue Bonds (Series 1997B) (HFMC)		31,350	32,400
Term loan (HFMC)		—	7,060
Mortgage loans (RMNY)		12,244	12,528
Total long-term debt		592,349	631,903
Less:			
Current installments		257,411	379,482
Unamortized bond premium		(4,739)	(4,977)
Unamortized bond discount		599	631
Long-term debt, excluding current installments and unamortized bond discount and premium	$	339,078	256,767

On August 1, 1999, RHC entered into a Master Trust Indenture under which RHC was the only Obligated Group member. RMC, OLR, WH, SFH, Services, Senior Services, Home Care, and the Foundation were named Unlimited Credit Group Participants required to permit RHC to perform all obligations and covenants under the Master Trust Indenture. The Master Trust Indenture was amended and restated as of May 1, 2005, pursuant to the issuance of the Series 2005 bonds and the reissuance of the Variable Rate Demand Bonds (Series 1999A and Series 1999B). RHC, RMC, OLR, WH, SFH, SJH, SMEMC, and WSMC were named Obligated Group Members under the amended and restated Master Trust Indenture. Services, Senior Services, Home Care, and the Foundation were named Unlimited Credit Group Participants required to permit the Obligated Group to perform all obligations and covenants under the amended and restated Master Trust Indenture, and required to pay such amounts as are necessary to make all payments on the Series 1999 and Series 2005 obligations. On June 5, 2008, the Master Trust Indenture was amended and restated pursuant to the issuance of the Series 2008 bonds and the conversion of the Series 2005A and Series 2005B bonds. On December 1, 2009, the Master Trust Indenture was amended and restated pursuant to the issuance of the Series 2009 bonds and the advance refunding of the Series 2008A and Series 2008B bonds. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated

Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires the individual members of the Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable the Obligated Group to satisfy all obligations issued under the Master Trust Indenture.

On December 22, 2009, the Illinois Finance Authority issued Revenue Refunding Bonds, Series 2009, in the amount of $103,805 on behalf of RHC. The proceeds from the Series 2009 bond issuance were used to advance refund the Series 2008A and Series 2008B bonds. The transactions to advance refund and cash defease outstanding debt resulted in a loss of $1,022, which is included with nonoperating losses in the 2010 consolidated statement of operations. Principal on the Series 2009 bonds is payable annually through 2025. Interest is payable semi-annually commencing on May 15, 2010 at fixed rates between 3.00% and 6.13% depending on date of maturity. The Series 2009 bonds were issued pursuant to a Bond Trust Indenture, dated as of December 1, 2009. The Series 2009 bonds are secured by an interest in the pledged revenues of the Obligated Group and a mortgage on RMC.

On June 5, 2008, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2008A and Series 2008B (collectively referred to as the Series 2008 bonds), in the aggregate amount of $100,000 on behalf of RHC. The proceeds from the Series 2008 bond issuance were used to advance refund various outstanding debt. Principal on the bonds was due on May 15, 2029. Interest was payable monthly at variable rates. During 2010 and 2009, the effective interest rate on the Series 2008 bonds was 1.68% and 1.51%, respectively. The Series 2008 bonds were issued pursuant to two separate Bond Trust Indentures, each dated as of June 1, 2008. The Series 2008 bonds were secured by irrevocable transferable direct pay letters of credit issued by commercial banks, which expired on December 5, 2009. The Series 2008 bonds with an outstanding principal balance of $98,370 were advance refunded in 2010.

On May 26, 2005, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2005A, Series 2005B, Series 2005C, and Series 2005D, and on June 16, 2005, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2005E (collectively referred to as the Series 2005 bonds), in the aggregate amount of $350,000 on behalf of RHC. The Series 2005D and Series 2005E bonds were cash defeased in 2008. Principal on the bonds is payable annually through 2035. Interest is payable monthly at variable rates. During 2010 and 2009, the effective interest rate on the Series 2005 bonds was 0.27% and 1.67%, respectively. The Series 2005 bonds were issued pursuant to five separate Bond Trust Indentures, each dated as of May 1, 2005. The Series 2005B and 2005C bonds are secured by direct pay letters of credit issued by commercial banks, which currently expire on February 25, 2011, in amounts equal to the principal amount of the bonds and accrued interest on such principal. Holders of the Series 2005 bonds have a put option that allows them to redeem the bonds prior to maturity. The Obligated Group has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. Principal on the Series 2005B and 2005C bonds outstanding at June 30, 2010 has been included in current installments of long-term debt as the letters of credit securing the bonds expire on February 25, 2011. The Series 2005A bonds with an outstanding principal balance of $26,130 were cash defeased in 2010.

On August 27, 1999, the Illinois Health Facility Authorities issued Variable Rate Demand Revenue Bonds, Series 1999A and Series 1999B, and Periodic Auction Reset Securities, Series 1999C (collectively referred to as the Series 1999 bonds), in the aggregate amount of $380,000 on behalf of RHC. The Series 1999C bonds were advance refunded in 2008. On June 5, 2008, RHC converted the outstanding Series 1999A and Series 1999B bonds of $225,000 from variable rate to fixed rate bonds through a bond reissuance. Principal on the Series 1999A and Series 1999B bonds is payable annually through 2029. Interest is payable semiannually at fixed rates varying between 4.00% and 5.50% depending on date of maturity. The Series 1999A and Series 1999B bonds were issued pursuant to amended and restated Bond Trust Indentures, each dated as of June 1, 2008. Payment of principal and interest on the Series 1999A and Series 1999B bonds when due is guaranteed under municipal bond insurance policies.

On December 23, 1997, the Illinois Health Facilities Authority on behalf of HFMC issued its Revenue Bonds, Series 1997, in the principal amount of $41,000 pursuant to a loan agreement dated December 1, 1997 between the Illinois Health Facilities Authority and HFMC (Series 1997B). Interest is payable at rates varying between 4.25% and 5.00% in annual installments through 2027. Effective February 6, 2001, HFMC entered into a Reimbursement, Mortgage, and Security Agreement (RHC Reimbursement Agreement) with RHC. The RHC Reimbursement Agreement provides that RHC will guarantee payment to the Bond Insurer of all amounts paid by the Bond Insurer in connection with the Series 1997B bonds under either the Bond Insurance Policy or the Surety Bond, which are not reimbursed to the Bond Insurer by HFMC. In conjunction with the RHC Reimbursement Agreement, HFMC issued its Direct Note Obligation, Series 2001A (Series 2001A), in a principal amount equal to the amount owed under the RHC Reimbursement Agreement, if any. Series 2001A is secured by a mortgage of the land and healthcare facilities of HFMC's main campus located in Des Plaines, Illinois and HFMC's accounts receivable. All intercompany amounts related to the Series 2001A bonds have been eliminated in consolidation. RHC has not made or accrued any payment obligations pursuant to this guarantee.

In October 1999, HFMC entered into a 10-year term loan (Term Loan) in the amount of $10,275. Under the terms of the Term Loan, HFMC pays interest at a fixed rate of 7.75%. Principal installments are due annually in amounts ranging from $227 to $420 through October 2009 with a lump-sum payment of $6,951, due November 2009. The Term Loan was repaid during 2010.

RNH and MLNH have two mortgage loan agreements through the Dormitory Authority of the State of New York. Principal and interest on the first note are payable in fixed monthly amounts of $46 through July 2027. The note bears interest at a fixed annual rate of 7.25% and is secured by certain real estate. Principal and interest on the second note are payable in fixed monthly amounts of $53 through January 2033. The note bears interest at a fixed annual rate of 7.90% and is secured by certain assets of RNH and MLNH.

At June 30, 2010 and 2009, the fair value of RHC and Affiliates' total long-term debt was approximately $601,456 and $621,801, respectively. Fair value was estimated using quoted market prices based upon the Obligated Group's current borrowing rates for similar types of long-term debt securities.

Under Section 148(f) of the Code, an issuer of tax-exempt bonds is required to rebate to the Internal Revenue Service the excess of investment income earned on all nonpurpose investments made with the gross proceeds of tax-exempt bond issues over the amount, which would have been earned if such nonpurpose investments had been invested at a rate equal to the interest yield on the related bond issue. The estimated rebate liability of $1,148 and $1,340 at June 30, 2010 and 2009, respectively, related to the

(In thousands)

Series 2005 bonds is recorded within accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Scheduled principal repayments on long-term debt based on the variable rate revenue bonds being put back to the Obligated Group and a corresponding draw being made on the underlying credit facility, if available, are as follows for the ensuing five years:

	Amount
Year:	
2011	$ 257,411
2012	19,266
2013	19,945
2014	20,679
2015	20,568

Scheduled annual principal payments on long-term debt based on the scheduled redemptions according to the respective Bond Trust Indentures for the ensuing five years are as follows:

	Amount
Year:	
2011	$ 18,496
2012	19,283
2013	19,981
2014	20,737
2015	21,608

(11) Employees' Retirement Plans

RHC and Affiliates have two cash balance plans (defined benefit plans that operate like defined contribution plans) (Plan A and Plan B) that cover substantially all eligible employees of RHC and Affiliates. Each eligible participant has a benefit account balance, which accrues as a percentage of current year's pay and earns interest at a specified rate.

RHC and Affiliates record pension cost at an amount calculated by an independent consulting actuary. RHC and Affiliates recognize the cost related to employee service using the projected unit credit cost method. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, and prior service cost are amortized over the expected future service period.

(In thousands)

The following table sets forth the consolidated funded status, assumptions, and amounts recognized in the accompanying consolidated financial statements as of and for the years ended June 30, 2010 and 2009 for Plans A and B:

		2010	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	$	(319,512)	(275,226)
Service cost		(21,521)	(20,569)
Interest cost		(20,095)	(18,275)
Actuarial loss		(44,731)	(25,375)
Benefits paid		20,585	19,933
Benefit obligation at end of year	$	(385,274)	(319,512)
Change in plan assets:			
Fair value of plan assets at beginning of year	$	88,503	125,161
Actual return on plan assets		8,111	(16,264)
Adjustments for transfers		(472)	(461)
Employer contributions		61,942	—
Benefits paid		(20,585)	(19,933)
Fair value of plan assets at end of year	$	137,499	88,503
Funded status	$	(247,775)	(231,009)
Amounts recognized in the accompanying consolidated statements of financial position:			
Accrued pension liability	$	(247,775)	(231,009)
Accumulated charge to unrestricted net assets		132,434	93,011
Net amount recognized	$	(115,341)	(137,998)
Accumulated benefit obligation	$	(384,838)	(317,790)

		2010	2009
Components of net periodic benefit cost:			
Service cost	$	21,521	20,569
Expense load		472	461
Interest cost		20,095	18,275
Expected return on plan assets		(8,297)	(9,664)
Amortization of unrecognized net loss		5,579	1,473
Amortization of unrecognized prior service credit		(403)	(650)
Net periodic benefit cost	$	38,967	30,464

(In thousands)

		2010	2009
Other changes in plan assets and benefit obligation recognized in unrestricted net assets:			
Net actuarial loss	$	(44,599)	(51,397)
Reversal of amortization items:			
Net actuarial loss		5,579	1,473
Prior service credit		(403)	(650)
Total recognized in unrestricted net assets	$	(39,423)	(50,574)
Estimated future benefit payments:			
Fiscal year 2011	$	25,587	
Fiscal year 2012		30,197	
Fiscal year 2013		30,673	
Fiscal year 2014		31,781	
Fiscal years 2015 – 2020		221,657	
Expected contribution during fiscal year 2011	$	45,000	

The estimated net actuarial loss and prior service credit for Plans A and B that will be amortized from unrestricted net assets into net periodic benefit cost during the 2011 fiscal year are $9,114 and $346, respectively.

	2010	2009
Weighted average assumptions used to determine benefit obligations at June 30:		
Settlement (discount) rate	5.05%	6.57%
Weighted average rate of increase in future compensation levels	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	6.57%	6.93%
Expected return on plan assets	8.50	8.50
Rate of compensation increase	4.00	4.00

RHC's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(In thousands)

RHC's pension plan weighted average asset allocations at June 30, 2010 and 2009, by asset category, are as follows:

	Plan assets at June 30	
Asset category	**2010**	**2009**
Equities	56.1%	55.8%
Fixed income securities	41.7	39.2
Cash and cash equivalents	2.2	5.0

RHC has developed a plan investment policy, which is reviewed and approved by the RHC Finance Committee and the boards of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy reflects a target of up to 60% for equity securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. RHC monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

RHC and Affiliates also have a defined contribution money purchase plan (Defined Contribution Plan). RHC and Affiliates contribute 25% of contributions made by employees to their tax deferred account up to a maximum contribution percentage of 1% of the participant's qualified income. RHC and Affiliates' boards of directors have amended Plan A and the Defined Contribution Plan whereby the employer matching contribution of the Defined Contribution Plan is considered a component of Plan A. Accordingly, this employer matching component has been included as a component of the accrued pension liability of Plan A as determined by the professional consulting actuary.

(a) *Fair Value of Financial Instruments*

The following is a description of the valuation methodologies used for pension Plan A and Plan B assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common stocks, real estate investment trusts, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mortgage-backed securities, commercial mortgage-backed, asset-backed, CMO/REMIC, and corporate bonds and notes: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of

(In thousands)

similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

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

(b) ***Fair Value Hierarchy***

Plan A and Plan B adopted ASC Subtopic 715-20-50 on July 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following table presents the Plans' fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2010:

		Fair value	Level 1	Level 2	Level 3
Investments:					
Cash and cash equivalents	$	3,035	3,035	—	—
Common stocks		54,902	54,902	—	—
Real estate investment trusts		1,738	1,738	—	—
U.S. government securities		16,803	16,803	—	—
Mortgage-backed securities		12,627	—	12,627	—
Commercial mortgage-backed securities		3,250	—	3,250	—
Asset-backed securities		4,488	—	4,488	—
CMO/REMIC		3,624	—	3,624	—
Corporate bonds and notes		16,471	—	16,471	—
Foreign securities		20,561	20,561	—	—
Total assets at fair value	$	137,499	97,039	40,460	—

WSMC sponsored the West Suburban Health Care Retirement Income Plan (Income Plan), a noncontributory defined benefit pension plan, for which the board of directors of WSMC authorized the curtailment of the Income Plan effective January 1, 2002. As a result of the curtailment, participation in the Income Plan is limited to participants entering on or before January 1, 2002, and no new benefits will accrue to participants subsequent to that date. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, is amortized over the expected future service period. RHC has maintained responsibility for the Income Plan subsequent to the asset divestitures disclosed in note 8.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands)

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the Income Plan is as follows at June 30, 2010 and 2009 (measurement dates):

		2010	2009
Change in projected benefit obligation:			
Benefit obligation at beginning of period	$	(57,918)	(54,305)
Interest cost		(3,858)	(3,778)
Actuarial loss		(11,620)	(2,049)
Benefits paid		2,426	2,214
Benefit obligation at end of period	$	(70,970)	(57,918)
Change in plan assets:			
Fair value of plan assets at beginning of period	$	43,254	52,264
Actual return on plan assets		5,526	(7,856)
Employer contributions		450	1,060
Benefits paid		(2,426)	(2,214)
Fair value of plan assets at end of period	$	46,804	43,254
Funded status	$	(24,166)	(14,664)

		2010	2009
Accumulated benefit obligation	$	(70,970)	(57,918)
Amount recognized in the accompanying consolidated statements of financial position:			
Accrued pension liability	$	(24,166)	(14,664)
Accumulated charge to unrestricted net assets		30,482	23,523
Net amount recognized	$	6,316	8,859
Components of net periodic benefit cost:			
Interest cost	$	3,858	3,778
Expected return on plan assets		(3,555)	(4,391)
Amortization of unrecognized net loss		2,691	673
Net periodic benefit cost	$	2,994	60
Other changes in plan assets and benefit obligation recognized in unrestricted net assets:			
Net actuarial loss	$	(9,650)	(14,296)
Reversal of amortization item:			
Net actuarial gain		2,691	673
Total recognized in unrestricted net assets	$	(6,959)	(13,623)

(In thousands)

		2010	2009
Estimated future benefit payments:			
Fiscal year 2011	$	3,137	
Fiscal year 2012		3,314	
Fiscal year 2013		3,581	
Fiscal year 2014		3,859	
Fiscal years 2015 – 2020		27,194	
Expected contributions during fiscal year 2011:			
Minimum required contribution	$	662	
Weighted average assumptions used to determine benefit obligations:			
Settlement (discount) rate		5.41%	6.83%
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate		6.83%	7.13%
Expected return on plan assets		8.50	8.50

The estimated net actuarial loss for the Income Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the 2011 fiscal year is $3,904.

The Income Plan's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The Income Plan's weighted average asset allocations at June 30, 2010 and 2009 by asset category are as follows:

	Plan assets at June 30	
Asset category	**2010**	**2009**
Equities	54.4%	50.8%
Fixed income securities	43.8	44.6
Cash and cash equivalents	1.8	4.6

RHC has developed a plan investment policy for the Income Plan, which is reviewed and approved by the RHC Finance Committee and the boards of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. RHC monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(c) *Fair Value of Financial Instruments*

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common and preferred stocks, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Municipal bonds, corporate bonds, notes, and debentures: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

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

(d) *Fair Value Hierarchy*

The Plan adopted ASC Subtopic 715-20-50 on July 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

(In thousands)

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 854	854	—	—
Common stocks	18,713	18,713	—	—
Real estate investment trusts	739	739	—	—
U.S. government securities	5,511	5,511	—	—
Mortgage-backed securities	4,698	—	4,698	—
Commercial mortgage-backed securities	1,498	—	1,498	—
Asset-backed securities	1,047	—	1,047	—
CMO/REMIC	2,257	—	2,257	—
Corporate bonds and notes	5,249	—	5,249	—
Municipal bonds	227	—	227	—
Foreign securities	6,011	6,011	—	—
	$ 46,804	31,828	14,976	—

(12) Self-Insurance

(a) Professional and General Liability

RHC and Affiliates are self-insured for professional and general liability claims up to specified limits arising from incidents occurring after dates of entry into the program, which vary by corporation. Excess insurance coverage was occurrence based through various dates, at which time all corporations changed to claims-made-based coverage. There are no assurances that RHC and Affiliates will be able to renew existing policies or procure coverage on similar terms in the future.

RHC and Affiliates are involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against RHC and Affiliates and are currently in various stages of litigation. Provisions for professional and general liability claims include the ultimate cost of known claims and claims incurred but not reported as of the respective consolidated statement of financial position dates. It is the opinion of management that the estimated malpractice liabilities accrued at June 30, 2010 and 2009 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. Estimated malpractice claims have been discounted at rates of 3.0% and 3.5% at June 30, 2010 and 2009, respectively. The accrued liability estimated for self-insured professional and general liability claims amounted to $246,405 and $251,671 at June 30, 2010 and 2009, respectively. All self-insured malpractice and general claim liabilities are reported as long-term liabilities as the portion expected to be paid within one year is not readily determinable.

(b) Workers' Compensation

The Hospitals maintain self-insurance programs for workers' compensation coverage. These programs limit the self-insured retention to specific amounts on a per occurrence basis. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Accrued workers' compensation claims amounted to $4,681 and $8,109 at June 30, 2010 and 2009, respectively. Management believes the estimated self-insured workers' compensation claims liability at June 30, 2010 and 2009 is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The portion of workers' compensation claims expected to be paid beyond one year of the consolidated statements of financial position dates is not readily determinable, and therefore, the entire accrual is classified as a current liability included within accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

(c) Health Care

RHC and Affiliates also maintain a program of self-insurance for employee health coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Accrued self-insured employee health care claims amounted to $3,779 and $6,761 for 2010 and 2009, respectively, and are included with accounts payable and accrued expenses in the accompanying consolidated statements of financial position. It is the opinion of management that the estimated health care costs accrued at June 30, 2010 and 2009 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

(13) Joint Ventures

Investments in joint ventures include RHC and Affiliates' investment in various joint ventures, which were established to provide various health care services including laboratory, radiation, oncology, sleep lab, and a group purchasing function. RHC and Affiliates account for their investments in the joint ventures on the equity method of accounting. RHC and Affiliates have included their proportional share of the joint ventures' net income (loss) of $(1,143) and $325 in 2010 and 2009, respectively, within investment income (loss) and other, net in the accompanying consolidated statements of operations. RHC and Affiliates received cash distributions from the joint ventures of $16 and $150 in 2010 and 2009, respectively. As of and for the years ended June 30, 2010 and 2009, respectively, the joint ventures had total assets of $47,141 and $50,041 members' equity of $23,843 and $25,230, revenue of $76,510 and $74,156 and net income of $(26) and $(1,313). The carrying value of RHC and Affiliates' investments in joint ventures of $9,638 and $10,622 at June 30, 2010 and 2009, respectively, is included with other assets in the accompanying consolidated statements of financial position.

(14) Contingencies

(a) Medicare Reimbursement

For the year ended June 30, 2010, RHC and Affiliates recognized approximately $500,644 of net service revenue from services provided to Medicare beneficiaries. Federal legislation has included provisions to reduce Medicare payments to health care providers as well as phase out cost-based reimbursement mechanisms to prospective payment methodologies. Changes in Medicare and other payor reimbursement as a result of current health reform initiatives may have an adverse effect on RHC and Affiliates' net service revenues.

(b) Litigation

RHC and Affiliates are involved in litigation and regulatory investigations 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 RHC and Affiliates' consolidated financial position or results from operations.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. RHC and Affiliates are subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on RHC and Affiliates' consolidated financial position or results of operations.

(15) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, RHC and Affiliates evaluated subsequent events after the consolidated balance sheet date of June 30, 2010 through November 22, 2010, which was the date the consolidated financial statements were available to be issued.

Schedule 1

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Financial Position Information

June 30, 2010

(In thousands)

Assets	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital
Current assets:								
Cash and cash equivalents	$ 218	47,813	1,924	5	996	1,925	—	—
Assets whose use is limited or restricted – required for current liabilities	250,817	5,213	—	—	—	—	—	—
Patient and resident accounts receivable, net of allowance for uncollectible accounts of $88,655	—	30,225	21,436	14,546	—	24,803	15,269	19,515
Other receivables	1,703	1,011	566	157	—	531	51	1,347
Inventory of supplies	—	1,934	1,350	636	—	4,393	1,105	4,359
Estimated receivables under third-party reimbursement programs	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	11,071	10,115	238	364	111	899	83	334
Assets held for sale	—	—	—	—	13,731	—	—	—
Due from affiliates	—	335,430	24,104	4,489	—	19,481	—	—
Total current assets	263,809	431,741	49,618	20,197	14,838	52,032	16,508	25,755
Assets whose use is limited or restricted:								
By boards for reinvestment and self-insurance	—	146,312	84,718	31,344	—	68,814	—	—
Under bond indenture agreements – held by trustee	12,357	—	—	—	—	—	1,227	—
By donors – permanently restricted	—	—	—	—	—	—	—	—
	12,357	146,312	84,718	31,344	—	68,814	1,227	—
Land, buildings, and equipment, net	195,255	17,473	69,771	28,865	—	91,092	28,981	71,097
Deferred finance charges	8,872	—	—	—	—	—	1,062	—
Other assets	8,885	3,497	122	—	—	903	—	—
	$ 489,178	599,023	204,229	80,406	14,838	212,841	47,778	96,852

(Continued)

ATTACHMENT 39

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Financial Position Information

June 30, 2010

(In thousands)

Assets		West Suburban Medical Center	Resurrection Senior Services	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Eliminations	Consolidated
Current assets:										
Cash and cash equivalents	$	2,030	4,897	748	457	110	672	1,296	—	63,091
Assets whose use is limited or restricted – required for current liabilities		—	—	—	—	—	—	—	—	256,030
Patient and resident accounts receivable net of allowance for uncollectible accounts of $88,655		—	7,846	5,612	2,086	1,575	—	—	—	142,913
Other receivables		378	858	560	—	43	2,060	1,435	—	10,900
Inventory of supplies		—	348	715	—	—	—	—	—	14,840
Estimated receivables under third-party reimbursement programs		—	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets		373	1,395	235	18	—	1,608	96	—	26,940
Assets held for sale		39,799	2,502	8,495	—	—	—	—	—	64,527
Due from affiliates		—	—	8,713	—	—	—	4,675	(396,892)	—
Total current assets		42,580	17,846	25,078	2,561	1,728	4,340	7,502	(396,892)	579,241
Assets whose use is limited or restricted:										
By boards for reinvestment and self-insurance		2,903	128,433	—	13	—	19,306	—	—	481,843
Under bond indenture agreements – held by trustee		—	9,229	—	—	—	—	—	—	22,813
By donors – permanently restricted		—	—	—	—	—	13,186	—	—	13,186
		2,903	137,662	—	13	—	32,492	—	—	517,842
Land, buildings, and equipment, net		—	112,054	78,598	2,891	212	161	207	—	696,657
Deferred finance charges		—	—	—	—	—	—	—	—	9,934
Other assets		29	—	5,055	—	2,287	—	—	—	20,778
	$	45,512	267,562	108,731	5,465	4,227	36,993	7,709	(396,892)	1,824,452

(Continued)

ATTACHMENT 39

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Financial Position Information

June 30, 2010

(In thousands)

Liabilities and Net Assets		Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital
Current liabilities:									
Current installments of long-term debt	$	256,030	—	—	—	—	—	1,105	—
Accounts payable and accrued expenses		18,120	26,203	2,672	2,270	—	5,360	1,712	2,783
Accrued payroll and fringe benefits		193	58,948	78	—	—	—	—	—
Estimated payables under third-party reimbursement programs		—	24,324	13,668	5,342	5,427	5,709	9,244	33,324
Deferred revenue and refundable deposits		—	—	—	—	—	—	—	—
Liabilities held for sale		—	—	—	—	5,896	—	—	—
Due to affiliates		174,615	—	—	—	—	6	32,605	4,818
Total current liabilities		448,958	109,475	16,418	7,612	11,323	11,075	44,666	40,925
Long-term debt, excluding current installments and unamortized bond discount		297,464	—	—	—	—	—	29,646	—
Accrued pension liability		—	271,941	—	—	—	—	—	—
Estimated self-insured professional and general liability claims		—	51,284	43,384	16,782	21,912	38,425	5,941	25,340
Asset retirement obligation		10,643	—	—	—	—	—	—	—
Total liabilities		757,065	432,700	59,802	24,394	33,235	49,500	80,253	66,265
Net assets (deficit):									
Unrestricted		(268,160)	166,323	144,427	56,012	(18,397)	163,332	(32,475)	30,587
Temporarily restricted		273	—	—	—	—	9	—	—
Permanently restricted		—	—	—	—	—	—	—	—
Total net assets (deficit)		(267,887)	166,323	144,427	56,012	(18,397)	163,341	(32,475)	30,587
	$	489,178	599,023	204,229	80,406	14,838	212,841	47,778	96,852

(Continued)

ATTACHMENT 39

Schedule 1

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Financial Position Information

June 30, 2010

(In thousands)

Liabilities and Net Assets	West Suburban Medical Center	Resurrection Senior Services	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Eliminations	Consolidated
Current liabilities:									
Current installments of long-term debt	$ —	276	—	—	—	—	—	—	257,411
Accounts payable and accrued expenses	1,395	4,062	6,552	372	1,008	257	10,177	—	82,943
Accrued payroll and fringe benefits	—	—	31	—	—	—	—	—	59,250
Estimated payables under third-party reimbursement programs	9,346	2,502	—	—	—	—	—	—	108,886
Deferred revenue and refundable deposits	—	39,167	—	242	—	—	—	—	39,409
Liabilities held for sale	9,768	281	1,293	—	—	—	—	—	17,238
Due to affiliates	—	48,890	114,172	4,480	13,814	3,492	—	(396,892)	—
Total current liabilities	20,509	95,178	122,048	5,094	14,822	3,749	10,177	(396,892)	565,137
Long-term debt, excluding current installments and unamortized bond discount	—	11,968	—	—	—	—	—	—	339,078
Accrued pension liability	—	—	—	—	—	—	—	—	271,941
Estimated self-insured professional and general liability claims	43,337	—	—	—	—	—	—	—	246,405
Asset retirement obligation	—	—	—	—	—	—	—	—	10,643
Total liabilities	63,846	107,146	122,048	5,094	14,822	3,749	10,177	(396,892)	1,433,204
Net assets (deficit):									
Unrestricted	(18,334)	160,416	(13,317)	371	(10,595)	7,090	(2,468)	—	364,812
Temporarily restricted	—	—	—	—	—	12,968	—	—	13,250
Permanently restricted	—	—	—	—	—	13,186	—	—	13,186
Total net assets (deficit)	(18,334)	160,416	(13,317)	371	(10,595)	33,244	(2,468)	—	391,248
	$ 45,512	267,562	108,731	5,465	4,227	36,993	7,709	(396,892)	1,824,452

See accompanying independent auditors' report.

ATTACHMENT 39

Schedule 2

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Operations and Changes in Unrestricted Net Assets Information

Year ended June 30, 2010

(In thousands)

	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital
Revenue:								
Net service revenue	$ —	272,149	167,533	125,229	—	310,219	89,729	189,784
Other revenue	769	4,352	3,300	821		5,777	812	3,468
Services provided to affiliates	144,445	—	—	—	—	—	—	—
Total revenue	145,214	276,501	170,833	126,050	—	315,996	90,541	193,252
Expenses:								
Salaries and wages	65,118	89,698	48,787	44,851	382	91,817	30,947	62,887
Payroll taxes and fringe benefits	18,570	28,565	15,091	13,296	—	27,405	9,524	20,346
Physicians' fees	649	16,461	11,084	4,744	—	10,728	1,830	14,729
Supplies	398	52,897	24,801	19,632	—	36,065	9,380	27,778
Other	36,000	15,185	6,100	4,188	—	5,012	4,231	7,759
Management services	—	29,510	19,085	15,348	—	31,289	7,252	17,781
Purchased services	9,150	8,756	7,259	4,476	—	19,804	2,740	9,670
Insurance	128	1,767	4,064	4,404	—	1,957	346	9,369
Depreciation and amortization	15,207	5,770	10,572	4,745	—	9,945	3,957	8,486
Provision for uncollectible accounts receivable	—	13,814	14,549	19,468	—	32,434	6,929	6,037
Interest	—	2,457	2,468	1,107	—	2,322	2,523	1,981
Assessments and taxes	—	6,819	5,904	3,994	—	20,828	2,869	8,514
Total expenses	145,020	271,699	169,764	140,253	382	289,606	82,528	195,337
Income (loss) from operations	194	4,802	1,069	(14,203)	(382)	26,390	8,013	(2,085)
Nonoperating gains (losses):								
Investment income (loss) and other, net	76,438	7,180	3,226	1,244	—	2,457	(267)	(469)
Unrestricted contributions	—	—	—	—	—	—	—	—
Loss on early extinguishment of long-term debt	—	(168)	(169)	(76)	—	(159)	(63)	(135)
Net nonoperating gains (losses)	76,438	7,012	3,057	1,168	—	2,298	(330)	(604)
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	76,632	11,814	4,126	(13,035)	(382)	28,688	7,683	(2,689)
Loss from discontinued operations (including loss on sale of $81,865 in 2010)	5,374	—	—	—	30,534	—	—	—
Revenue and gains in excess (deficient) of expenses and losses	71,258	11,814	4,126	(13,035)	(30,916)	28,688	7,683	(2,689)
Other changes in unrestricted net assets:								
Net assets released from restrictions for purchases of land, building, and equipment	—	403	616	47	122	448	53	104
Transfers to affiliated organizations	(231,032)	—	—	—	64,821	—	—	—
Recognition of change in pension funded status	—	(46,382)	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	$ (159,774)	(34,165)	4,742	(12,988)	34,027	29,136	7,736	(2,585)

(Continued)

ATTACHMENT 39

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Operations and Changes in Unrestricted Net Assets Information

Year ended June 30, 2010

(In thousands)

	West Suburban Medical Center	Resurrection Senior Services	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Eliminations	Consolidated
Revenue:									
Net service revenue	$ —	127,403	24,633	—	11,789	—	—	—	1,318,468
Other revenue	5,327	2,044	20,864	17,738	—	—	46,650	(11,211)	100,711
Services provided to affiliates	—	9,274	—	—	—	—	—	(153,719)	—
Total revenue	5,327	138,721	45,497	17,738	11,789	—	46,650	(164,930)	1,419,179
Expenses:									
Salaries and wages	3,596	54,568	8,434	7,826	7,189	1,591	2,679	—	520,370
Payroll taxes and fringe benefits	910	21,436	4,040	3,075	1,831	292	599	—	164,980
Physicians' fees	—	310	5,800	1,971	—	—	198	(1,476)	67,028
Supplies	124	24,780	9,223	264	796	12	158	(8,526)	197,582
Other	619	7,718	8,839	1,931	1,281	718	42,294	(11,925)	129,950
Management services	—	12,408	3,631	710	2,237	66	166	(139,483)	—
Purchased services	143	3,373	4,657	1,252	47	203	147	(3,520)	68,157
Insurance	—	(102)	1,079	74	219	—	—	—	23,305
Depreciation and amortization	—	7,210	6,399	257	47	14	35	—	72,644
Provision for uncollectible accounts receivable	—	3,484	2,610	—	193	—	—	—	99,518
Interest	—	2,417	2,244	60	11	4	—	—	17,594
Assessments and taxes	—	1,896	3,215	—	—	—	—	—	54,039
Total expenses	5,392	139,498	60,171	17,420	13,851	2,900	46,276	(164,930)	1,415,167
Income (loss) from operations	(65)	(777)	(14,674)	318	(2,062)	(2,900)	374	—	4,012
Nonoperating gains (losses):									
Investment income (loss) and other, net	—	5,757	(1,211)	—	282	774	3	—	95,414
Unrestricted contributions	—	—	—	—	—	1,109	—	—	1,109
Loss on early extinguishment of long-term debt	—	(107)	(140)	(4)	(1)	—	—	—	(1,022)
Net nonoperating gains (losses)	—	5,650	(1,351)	(4)	281	1,883	3	—	95,501
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(65)	4,873	(16,025)	314	(1,781)	(1,017)	377	—	99,513
Loss from discontinued operations (including loss on sale of $81,865 in 2010)	57,398	1,381	13,520	—	—	—	—	—	108,207
Revenue and gains in excess (deficient) of expenses and losses	(57,463)	3,492	(29,545)	314	(1,781)	(1,017)	377	—	(8,694)
Other changes in unrestricted net assets:									
Net assets released from restrictions for purchases of land, building, and equipment	887	258	—	—	18	—	—	—	2,956
Transfers to affiliated organizations	122,609	11,003	32,599	—	—	—	—	—	—
Recognition of change in pension funded status	—	—	—	—	—	—	—	—	(46,382)
Increase (decrease) in unrestricted net assets	$ 66,033	14,753	3,054	314	(1,763)	(1,017)	377	—	(52,120)

See accompanying independent auditors' report.

ATTACHMENT 39

PROVENA HEALTH AND AFFILIATES

Consolidated Financial Statements and Supplementary Information

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

PROVENA HEALTH AND AFFILIATES

Table of Contents

KPMG

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Provena Health:

We have audited the accompanying consolidated balance sheets of Provena Health and Affiliates (Provena Health) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Provena Health's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Provena Health's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 consolidated financial position of Provena Health as of December 31, 2009 and 2008, and the results of their consolidated operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in schedules 1 through 16 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. The schedules have been subjected to the auditing procedures applied in the basic audits of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

April 16, 2010

PROVENA HEALTH AND AFFILIATES

Consolidated Balance Sheets

December 31, 2009 and 2008

(In thousands)

Assets		**2009**	**2008**
Current assets:			
Cash and cash equivalents	$	87,247	66,617
Short-term investments		1,398	1,478
Assets limited or restricted as to use, required for current liabilities		10,650	10,247
Receivables:			
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately $117,767 in 2009 and $104,215 in 2008		178,348	193,219
Estimated receivables under third-party reimbursement programs		7,955	32,209
Inventories		21,774	20,810
Collateral held under securities lending agreement		—	54,910
Prepaid expenses and other		31,272	31,780
Total current assets		338,644	411,270
Assets limited or restricted as to use, net of current portion		410,007	311,707
Land, buildings, and equipment, net		687,911	708,060
Excess of purchase price over identifiable net assets acquired, net		833	1,468
Other		28,799	27,499
Total assets	$	1,466,194	1,460,004
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	11,690	27,511
Current portion of obligations under capital leases		3,251	2,135
Current portion of estimated self-insurance liabilities		10,801	10,522
Accounts payable and accrued expenses		149,037	122,108
Estimated payables under third-party reimbursement programs		102,939	112,717
Payable under securities lending agreement		—	54,910
Other		23,188	22,597
Total current liabilities		300,906	352,500
Long-term debt, net of current installments		619,092	594,586
Obligations under capital leases, net of current portion		4,502	4,167
Estimated self-insurance liabilities, net of current portion		79,066	78,499
Pension benefit liability		72,877	77,208
Derivatives and other long-term liabilities		44,575	63,775
Total liabilities		1,121,018	1,170,735
Net assets:			
Unrestricted		336,245	279,074
Temporarily restricted		7,383	9,159
Permanently restricted		1,548	1,036
Total net assets		345,176	289,269
Total liabilities and net assets	$	1,466,194	1,460,004

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Operations

Years ended December 31, 2009 and 2008

(In thousands)

		2009	2008
Revenue:			
Net patient and resident service revenue	$	1,267,993	1,225,522
Other revenues		23,508	21,531
Net assets released from restriction used for operations		1,069	1,796
Total revenue		1,292,570	1,248,849
Expenses:			
Salaries and benefits		584,665	589,981
Supplies and drugs		171,267	175,007
Purchased services		161,870	173,219
Interest		31,503	22,362
Depreciation and amortization		70,721	68,255
Provider tax assessment		34,355	32,302
Provision for uncollectible accounts		131,614	114,072
Restructuring charges		31,856	9,952
Other		80,927	95,113
Total expenses		1,298,778	1,280,263
Loss from operations before impairments		(6,208)	(31,414)
Impairments		1,357	3,685
Loss from operations		(7,565)	(35,099)
Nonoperating gains (losses):			
Investment income – realized		2,839	2,726
Investment income (loss) – unrealized		30,348	(53,871)
Derivatives valuation adjustment		20,784	(30,561)
Other, net		(5,084)	(3,528)
Net nonoperating gains (losses)		48,887	(85,234)
Revenue and gains in excess (deficient) of expenses and losses		41,322	(120,333)
Other changes in unrestricted net assets:			
Expense reclassification for dedesignated hedges		258	258
Change in funded status of pension plan		11,457	(126,608)
Net assets released from restriction used for the purchase of land, buildings, and equipment		3,847	11,879
Other, net		287	93
Change in unrestricted net assets	$	57,171	(234,711)

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2009 and 2008

(In thousands)

		2009	2008
Unrestricted net assets:			
Revenue and gains in excess (deficient) of expenses and losses	$	41,322	(120,333)
Other changes in unrestricted net assets:			
Expense reclassification for dedesignated hedges		258	258
Change in funded status of pension plan		11,457	(126,608)
Net assets released from restriction used for the purchase of land, building, and equipment		3,847	11,879
Other, net		287	93
Change in unrestricted net assets		57,171	(234,711)
Temporarily restricted net assets:			
Restricted contributions		2,976	7,177
Change in net unrealized gains (losses)		80	(182)
Temporarily restricted investment income		84	47
Net assets released from restrictions used for the purchase of land, buildings, and equipment		(3,847)	(11,879)
Net assets released from restriction used for operations		(1,069)	(1,796)
Change in temporarily restricted net assets		(1,776)	(6,633)
Permanently restricted net assets:			
Restricted contributions		519	168
Net realized and unrealized gains (losses) on investments		(7)	13
Change in permanently restricted net assets		512	181
Change in net assets		55,907	(241,163)
Net assets at beginning of year		289,269	530,432
Net assets at end of year	$	345,176	289,269

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2008

(In thousands)

		2009	2008
Cash flows from operating activities:			
Change in net assets	$	55,907	(241,163)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		70,721	68,255
Provision for uncollectible accounts		131,614	114,072
Loss on sale of capital assets		62	715
Change in fair value of derivative instruments		(20,784)	30,561
Change in funded status of pension plan		(11,457)	126,608
Gains from equity interest of unconsolidated affiliates		(1,063)	(395)
Impairments		1,357	3,685
Change in net unrealized gains and losses on investment securities		(30,428)	54,054
Permanently restricted contributions		(519)	(168)
Changes in assets and liabilities:			
Patient and resident accounts receivable		(117,432)	(138,385)
Estimated settlements under third-party reimbursement programs, net		14,476	11,635
Inventories		(1,106)	459
Prepaid expenses and other assets		467	(5,251)
Accounts payable and accrued expenses		26,866	4,168
Estimated self-insurance liabilities		846	8,819
Other current liabilities		4,792	7,595
Other long-term liabilities		9,045	275
Net cash provided by operating activities		133,364	45,539
Cash flows from investing activities:			
Acquisition of land, buildings, and equipment, net		(49,239)	(117,248)
Net proceeds from sale of capital assets		3	1,726
Net change in assets limited or restricted as to use		(68,275)	26,236
Net change in short-term investments		80	1,065
Change in other long-term assets		4,450	2,414
Net cash used in investing activities		(112,981)	(85,807)
Cash flows from financing activities:			
Repayment of obligations under capital leases		(3,085)	(2,602)
Repayment of long-term debt		(302,015)	(7,097)
Issuance of long-term debt		310,588	44,000
Payment of bond issue costs		(5,760)	—
Permanently restricted contributions		519	168
Net cash provided by financing activities		247	34,469
Net change in cash and cash equivalents		20,630	(5,799)
Cash and cash equivalents at beginning of year		66,617	72,416
Cash and cash equivalents at end of year	$	87,247	66,617
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	29,826	27,041
Supplemental disclosures of noncash transactions:			
Assets acquired under capital leases	$	4,536	1,715
Return of capital assets from investee		—	1,770

See accompanying notes to consolidated financial statements.

(1) Operations and Basis of Consolidation

Effective November 30, 1997, The Franciscan Sisters of the Sacred Heart (Franciscans), The Servants of the Holy Heart of Mary – Holy Family Province (ServantCor), and The Sisters of Mercy of the Americas Regional Community of Chicago (Mercy) (collectively, the Sponsors) created a new equally sponsored Catholic health care system called Provena Health in order to assure the provision of ongoing quality health care services to the communities served by the Sponsors.

Provena Health (the Parent) is the sole corporate sponsor of Provena Hospitals, Provena Senior Services, Provena Home Health, Provena Care @ Home, and Provena Health Assurance SPC, and owns 100% of Provena Ventures, Inc. (Ventures) (collectively referred to herein as Provena). These organizations include all of the health care operations of the Sponsors. Provena provides health care and long-term care services to communities primarily located in northern and central Illinois.

Provena Hospitals is a not-for-profit organization, which owns and operates six acute care hospitals and medical centers and more than 30 health centers. Provena Hospitals' wholly owned subsidiary, Provena Services Corporation (PSC), is an Illinois not-for-profit, taxable corporation formed to manage Provena Hospitals' physician practices.

Provena Senior Services is a not-for-profit organization, which owns and operates 10 nursing homes, four independent living facilities, two assisted living facilities, four adult daycare centers, two community service facilities, and one outpatient pharmacy in northern and central Illinois and Indiana.

Provena Home Health and Provena Care @ Home are not-for-profit organizations that own and operate five home health agencies, five private duty agencies, and one hospice in northern and central Illinois.

Ventures is a for-profit corporation, which operates various for-profit enterprises, consisting primarily of Provena Properties as of December 31, 2009 and 2008, which owns four parcels of land for future use of Provena Health.

Provena Health Assurance SPC was incorporated in the Cayman Islands on May 29, 2003, and operates subject to the provisions of the Companies Law (2002 Revision) of the Cayman Islands. Provena Health Assurance SPC is a wholly owned subsidiary of the Parent. The principal business of Provena Health Assurance SPC is to procure excess commercial insurance coverage on behalf of Provena through reinsurance with AM Best highly rated reinsurers.

All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

A summary of significant accounting policies follows:

- In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard that established the Accounting Standards Codification (ASC or the Codification) to become the single source of authoritative accounting principles. The standard also provides the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are represented in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change generally accepted accounting principles, but is expected to simplify accounting research by reorganizing current generally accepted accounting principles into specific accounting topics. Provena adopted this accounting standard in the fourth quarter of 2009. The adoption of this accounting standard, which was subsequently codified in ASC Topic 105, *Generally Accepted Accounting Principles*, had no impact on Provena's financial position, results of operations, or liquidity.

- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health and long-term care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.
- The consolidated statements of operations include revenue and gains in excess (deficient) of expenses and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess (deficient) of expenses and losses, consistent with industry practice, include changes in the funded status of Provena's defined benefit pension plan, reclassifications to interest expense for the previously effective portion of dedesignated hedges, and contributions of and for long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).
- Cash and cash equivalents consist primarily of demand deposits with banks, cash on hand, overnight secured repurchase agreements, and securities with an original term of 90 days or less when purchased, excluding amounts limited or restricted as to use. Short-term investments consist of securities with an original term of one year or less, excluding cash and cash equivalents and amounts limited or restricted as to use.
- On January 1, 2008, Provena adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

  On January 1, 2009, Provena adopted the provisions of ASC Topic 820 related to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

- Effective January 1, 2008, Provena adopted the fair value option provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*, which gives Provena the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Provena management has not elected to measure any additional eligible financial assets or financial liabilities at fair value subsequent to the adoption of ASC Subtopic 825-10.

- Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in unrestricted revenue and gains in excess (deficient) of expenses and losses in the accompanying consolidated statements of operations unless the income or loss is restricted by donor or law.

- Through a securities lending program, managed by its investment custodian, Provena had loaned certain marketable securities included in its investment portfolio. Provena terminated this program on October 26, 2009, resulting in the repayment of previously recognized investment losses of $797 to the investment custodian. These investment losses, all of which were payable to the investment custodian when incurred in 2008, are included within accrued liabilities as of December 31, 2008 in the accompanying 2008 consolidated balance sheet. The market value of securities loaned was $53,801 as of December 31, 2008. The custodian's loan agreements required the borrowers to maintain collateral equal to at least 102% of the market value of the securities loaned. This collateral was in the form of cash and cash equivalents and fixed income securities and was revalued on a daily basis. At December 31, 2008, Provena has presented the collateral received and the obligation to return that collateral in the accompanying 2008 consolidated balance sheet as collateral held under securities lending agreement and payable under securities lending agreement, respectively.

- Provena accounts for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheets at their respective fair values.

  Effective January 1, 2008, Provena discontinued hedge accounting prospectively for its outstanding interest rate swap agreements as management determined that designation of the derivatives as hedging instruments was no longer appropriate given overall credit market and interest rate conditions. Provena continues to carry its derivatives at fair value and recognizes changes in their fair values subsequent to January 1, 2008 as nonoperating gains or losses in the consolidated statements of operations. Cumulative amounts charged to unrestricted net assets for the effective portion of hedges in the amount of $4,644 as of January 1, 2008 are being reclassified from unrestricted net assets to interest expense on a straight-line basis over the terms of the underlying debt.

- Supplies inventories are stated at the lower of cost or market. Cost is determined on the basis of the most recent purchase price, which approximates the first-in, first-out method and the average cost method.

- Land, buildings, and equipment are stated at cost if purchased or at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is primarily computed using the straight-line method. Leasehold improvements are amortized over the shorter of the terms of the leases or the estimated useful lives of the improvements. Equipment under capital leases is recorded at the present value of minimum lease payments. Amortization of equipment under capital leases is over the shorter of the lease term or useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets. Provena capitalized interest cost of $1,582 and $7,064 in 2009 and 2008, respectively.

- Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted contributions, and are excluded from revenue and gains in excess (deficient) of expenses and losses, 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 to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.

- Assets limited or restricted as to use include assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes; assets held by trustees under indenture agreements and resident agreements; assets set aside for self-insured liabilities; assets held under collateral posting requirements; and donor-restricted investments. Assets limited or restricted as to use are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheets.

- Goodwill, which represents the excess of purchase price over identified net assets acquired, principally relates to the acquisitions of a long-term care center within Provena Senior Services and imaging centers at Provena Saint Joseph Medical Center and Provena Saint Mary's Hospital. Goodwill is amortized over the expected period to be benefited, which ranges from 5 to 30 years. Goodwill, net of accumulated amortization of $2,517 and $1,882 is reported in the accompanying consolidated balance sheets as an other long-term asset at December 31, 2009 and 2008, respectively.

  Provena's policy is to evaluate goodwill based on consideration of such factors as the occurrence of a significant adverse event or change in the environment in which Provena operates or if the expected future cash flows (undiscounted and without interest) are less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity or activity.

- Deferred finance charges and bond discount are amortized on a straight-line basis over the terms of the respective debt.

- Temporarily restricted net assets are those whose use by Provena has been limited by donors to a specific time period or purpose. Provena's temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care and the acquisition of land, buildings, and equipment.

- Provena's permanently restricted net assets represent endowment funds for which the investments are to be held in perpetuity and the related investment income is expendable to support healthcare or other donor-designated services. During 2009, Provena adopted the provisions of ASC Topic 958, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC Topic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds.

- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Gifts are reported as either a temporarily or permanently restricted contribution 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included with nonoperating gains.
- Provena provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Provena does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.
- Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, 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.
- The provisions for estimated medical malpractice claims, workers' compensation claims, and employee health claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.
- During 2009 and 2008, Provena, with the assistance of outside consultants, completed restructuring efforts throughout the organization, which involved the elimination of various employee positions and the refocusing of strategic direction. As a result, charges of $31,856 and $9,952, comprised primarily of consulting fees and severance compensation, are reported as restructuring charges in the accompanying 2009 and 2008 consolidated statements of operations, respectively.
- Provena Health, Provena Hospitals, Provena Home Health, Provena Care @ Home, and Provena Senior Services are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.
- Ventures is a for-profit corporation that recognizes deferred income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on

deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Ventures tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2009 and 2008 are primarily the result of net operating loss carryforwards (approximately $6,221 and $6,392 at December 31, 2009 and 2008, respectively, which expire at various future dates through 2029).

PSC is an Illinois for-profit taxable corporation that also recognizes deferred income taxes under the asset and liability method. PSC tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2009 and 2008 are primarily the result of net operating loss carryforwards (approximately $85,774 and $70,940 at December 31, 2009 and 2008, respectively, which expire at various future dates through 2029).

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable losses over the periods for which the deferred tax assets are deductible, management believes it is more likely than not that Ventures and PSC will not realize the majority of the benefits of these deductible differences. The deferred tax assets attributable to the net operating loss carryforwards not realized as of December 31, 2009 and 2008 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

- On January 1, 2009, Provena adopted ASC Subtopic 740-10, which addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, Provena may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes and accounting in interim periods and requires increased disclosures. At the date of adoption, and as of December 31, 2009, Provena does not have a liability for any unrecognized tax benefits.
- Provena evaluates long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset.

- Certain 2008 amounts have been reclassified to conform to the 2009 consolidated financial statement presentation.

(3) Net Patient Service Revenue

Provena has agreements with third-party payors that provide for reimbursement to Provena at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, capitation, and per diem payments. A summary of the basis of reimbursement with major third-party payors follows:

Medicare – Inpatient acute care services, outpatient services, physician services, home health, and long-term care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per case. These rates vary according to patient and resident classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to adjustment. Provena's payment classification of patients and residents under the prospective payment systems, and the appropriateness of the services, are subject to validation reviews. Certain services related to Medicare beneficiaries are reimbursed based upon cost-reimbursement methodologies. Provena is reimbursed for cost-reimbursable items at tentative rates with final settlement determined after submission of annual reimbursement reports by Provena and audits thereof by the Medicare fiscal intermediary. As of December 31, 2009, annual Medicare reimbursement reports have been final settled through 2006.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates per discharge and fee schedules, respectively. 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 methodologies and rates, based on the amount of funding available to the State of Illinois Medicaid Program.

During 2006, the State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program extending through June 30, 2008. During December 2008, the Centers for Medicare and Medicaid Services (CMS) granted approval of a new five-year Illinois Hospital Assessment Program retroactive to July 1, 2008. Pursuant to these programs, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by CMS. Provena has included its related assessments of $34,355 and $32,302 as provider tax assessment expense in the accompanying 2009 and 2008 consolidated statements of operations, respectively. Provena has included its assessment program liabilities of $17,878 for the period from July 1, 2008 through December 31, 2008 within estimated payables under third-party reimbursement programs in the accompanying 2008 consolidated balance sheet. No such liabilities were outstanding as of December 31, 2009.

The assessment programs also provide hospitals within the State with additional Medicaid reimbursement based on funding formulas approved by CMS. Provena has included its additional related reimbursement of $53,464 and $49,026 within net patient service revenue in the accompanying 2009 and 2008 consolidated statements of operations, respectively. Provena has included receivables for its additional related reimbursement of $26,732 for the period from July 1, 2008 through December 31, 2008 within estimated receivables under third-party reimbursement programs in the accompanying 2008 consolidated balance sheet. No such reimbursements were outstanding as of December 31, 2009.

(Dollars in thousands)

Blue Cross – Provena also participates as a provider of health care services under reimbursement agreements with Blue Cross. The provisions of the indemnity plan agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of annual cost reports and reviews by Blue Cross. As of December 31, 2009, the Blue Cross cost settlements for 2009 are subject to audit and retroactive adjustment.

Managed Care – Provena also participates as a provider of health care services under various agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The terms of each contract vary, but typically include a negotiated discount offered by Provena for services provided to contracted HMO and PPO patients.

For the years ended December 31, 2009 and 2008, the consolidated statements of operations include $2,539 and $7,779, respectively, of net favorably determined retroactive settlements and changes in prior estimates for third-party settlements and allowances.

A summary of gross and net patient and resident service revenue for the years ended December 31, 2009 and 2008 is as follows:

		2009	2008
Gross patient and resident service revenue	$	4,512,631	4,116,431
Plus Medicaid provider tax revenue		53,464	49,026
Less provisions for:			
Contractual adjustments under third-party reimbursement programs, including managed care and other		(3,298,102)	(2,939,935)
Net patient and resident service revenue	$	1,267,993	1,225,522

(4) Concentrations of Credit Risk

Provena grants credit without collateral to its patients and residents, most of whom are local residents in Provena's markets. The mix of gross receivables from patients, residents, and third-party payors at December 31, 2009 and 2008 is as follows:

	2009	2008
Medicare	23%	23%
Medicaid	21	23
Managed care/contract payors	30	30
Other	26	24
	100%	100%

(Dollars in thousands)

A summary of Provena's utilization percentages, based upon gross patient and resident service revenue, is as follows:

	2009	2008
Medicare	44%	43%
Medicaid	14	13
Managed care/contract payors	31	33
Other	11	11
	100%	100%

(5) Charity Care

Consistent with its mission, Provena provides medical care to all patients regardless of their ability to pay. In addition, Provena provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA) policy documents *Community Benefit Program: A Revised Resource for Social Accountability and Community Benefit Reporting: Guidelines and Standard Definitions for the Community Benefit Inventory for Social Accountability*, released in November 2004, and *A Guide for Planning and Reporting Community Benefit*, released in May 2006. Provena has expanded its reporting by including more detailed classifications of program spending, consistent with the reporting guidelines.

(Dollars in thousands)

The following amounts reflect the quantifiable costs of Provena's community benefit ministry, unpaid Medicare costs, uninsured discount, and provision for bad debts for the years ended December 31:

		2009	2008
Ministry for the poor and the underserved:			
Unpaid cost of Medicaid and other public programs	$	61,511	59,107
Less net impact of Medicaid provider tax assessment program (note 3)		(19,109)	(16,724)
Net unpaid cost of Medicaid and other public programs		42,402	42,383
Charity care at cost		28,893	30,730
Community and subsidized health services		4,659	472
Health professions education		3,931	18
Financial/in-kind contributions		632	81
Other community benefits		269	228
Community benefit ministry	$	80,786	73,912
Unpaid cost of Medicare	$	52,244	50,777
Uninsured discount at cost		5,291	11,897
Provision for bad debt at cost		29,425	31,044

Ministry for the poor and the underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured, and the indigent. This is done with the conviction that healthcare is a basic human right.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Charity care represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Provena's established policies and where no payment (or a discounted one) for such services is anticipated. Services provided to these patients are not reported as revenue in the consolidated statements of operations and changes in net assets. The cost of charity care is calculated using a cost-to-charge ratio methodology.

Community and subsidized health services represent services, in response to community need, that are subsidized from other revenue sources.

Health professions education represents costs incurred for facility-based educational programs, reduced by direct medical education funding, fees, and other revenues.

Financial/in-kind contributions represent cash and in-kind donations such as the value of meeting space, equipment, and personnel to assist other health care providers, social service agencies, and organizations.

(Dollars in thousands)

Unpaid cost of Medicare represents the cost (determined using a cost-to-charge ratio) of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments.

Uninsured discount at cost represents the cost (determined using a cost-to-charge ratio) of providing a discount to uninsured patients.

Provision for bad debt at cost represents the cost (determined using a cost-to-charge ratio) of providing services to uninsured and underinsured patients.

(6) Assets Limited or Restricted as to Use and Short-Term Investments

A summary of the composition of assets limited or restricted as to use and short-term investments at December 31, 2009 and 2008 is as follows:

		2009	2008
Cash and cash equivalents	$	74,341	26,621
Corporate debt securities		76,950	52,093
Corporate debt funds		—	28,013
U.S. government obligations		133,457	124,930
Equity securities		58,000	35,710
Equity funds		77,088	52,894
Pledges receivable		2,216	3,152
Accrued interest receivable		3	19
	$	422,055	323,432

Investments are classified in the accompanying consolidated balance sheets as follows:

		2009	2008
Short-term investments	$	1,398	1,478
Assets limited or restricted as to use, required for current liabilities		10,650	10,247
Assets limited or restricted as to use, net of current portion		410,007	311,707
	$	422,055	323,432

(Dollars in thousands)

The composition of the noncurrent portion of assets limited or restricted as to use is as follows:

		2009	2008
Investments in centralized investment programs	$	293,461	245,021
Other Board-designated investments		5,253	4,243
Total unrestricted investments		298,714	249,264
Self-insurance trust		59,285	50,837
Debt service reserve funds held by Bond Trustee		19,465	—
Collateral held by derivative counterparties		23,507	1,299
Restricted by donors		8,931	10,195
Other		105	112
	$	410,007	311,707

The composition of investment return for 2009 and 2008 is as follows:

		2009	2008
Interest and dividend income, net of interest expense allocation	$	8,642	11,261
Change in net unrealized gains and losses on securities		30,428	(54,054)
Net realized gains (losses) on sale of investments		(5,726)	(8,474)
Total investment return	$	33,344	(51,267)

Interest and dividend income reflected above has been reduced by $5,478 and $5,190 of interest expense incurred on long-term debt in 2009 and 2008, respectively. As part of Provena's overall capital management program, a portion of interest expense incurred on outstanding long-term debt is apportioned against income earned on investment securities and is reported as a direct reduction of investment returns in the accompanying consolidated statements of operations.

(Dollars in thousands)

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2009 and 2008 as follows:

		2009	2008
Nonoperating gains (losses):			
Investment income – realized	$	2,839	2,726
Investment income (loss) – unrealized		30,348	(53,871)
Temporarily restricted net assets:			
Investment income		84	47
Change in net unrealized gains (losses)		80	(182)
Permanently restricted net assets:			
Net realized and unrealized gains (losses) on investments		(7)	13
Total investment return	$	33,344	(51,267)

(7) Fair Value Measurements

(a) *Fair Value of Financial Instruments*

The following methods and assumptions were used by Provena in estimating the fair value of its financial instruments:

- *The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments*: cash and cash equivalents, patient and resident accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables under third-party reimbursement programs.
- *Assets limited or restricted as to use and short-term investments*: Common stocks, quoted mutual funds, and direct U.S. government obligations, are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, and U.S. agency securities are measured using other observable inputs. The carrying value equals fair value.
- *Interest rate swap agreements*: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and Provena. The carrying value equals fair value.
- *Long-term debt*: The fair value of fixed rate long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to Provena for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value.
- *Capital leases*: The fair value of capital leases is estimated based on debt of the same remaining maturities using Provena's incremental borrowing rate at the measurement date.

(Dollars in thousands)

The following table presents the carrying amounts and estimated fair values of Provena's financial instruments not carried at fair value at December 31, 2009 and 2008:

		2009		2008	
		Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	$	630,782	635,786	622,097	606,628
Capital leases		7,753	7,051	6,302	5,920

(b) Fair Value Hierarchy

Provena adopted ASC Topic 820 on January 1, 2008 for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Provena has the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2009:

		Total fair value	Fair value measurements at December 31, 2009 using (Level 1)	(Level 2)	(Level 3)
Assets:					
Cash and cash equivalents	$	87,247	87,247	—	—
Assets limited as to use and short-term investments		422,055	253,164	168,891	—
Total	$	509,302	340,411	168,891	—
Liabilities:					
Derivatives and other long-term liabilities – interest rate derivatives	$	29,214	—	29,214	—

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2008:

		Total fair value	Fair value measurements at December 31, 2008 using (Level 1)	(Level 2)	(Level 3)
Assets:					
Cash and cash equivalents	$	66,617	66,617	—	—
Assets limited as to use and short-term investments		323,432	141,225	182,207	—
Total	$	390,049	207,842	182,207	—
Liabilities:					
Derivatives and other long-term liabilities – interest rate derivatives	$	49,998	—	49,998	—

(Dollars in thousands)

(8) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at December 31, 2009 and 2008 is as follows:

		2009	2008
Land	$	33,344	33,344
Land improvements		22,704	21,795
Buildings and leasehold improvements		849,627	710,759
Equipment and furnishings		617,838	593,546
		1,523,513	1,359,444
Less accumulated depreciation and amortization for capital leases		842,657	783,569
		680,856	575,875
Construction in progress		7,055	132,185
Land, buildings, and equipment, net	$	687,911	708,060

At December 31, 2009, construction in progress related to various building improvements and information systems projects. At December 31, 2008, construction in progress related primarily to the construction of a new bed tower at one of Provena's hospital ministries. Provena had outstanding contractual commitments of $167 and $15,795 as of December 31, 2009 and 2008, respectively, relating to these projects.

(9) Capital Leases

Provena leases certain equipment under capital leases. Included with equipment and furnishings is $16,172 and $11,636 of assets held under capital leases and $8,435 and $5,593 of related accumulated amortization at December 31, 2009 and 2008, respectively. Capital leases are secured by the underlying equipment. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases as of December 31, 2009 are as follows:

Year:		
2010	$	3,445
2011		3,149
2012		1,233
2013		248
Total future minimum lease payments		8,075
Less amount representing interest at rates from 3.48% to 10.25%		322
Present value of future minimum lease payments		7,753
Less current portion of obligations under capital leases		3,251
Obligations under capital leases, excluding current portion	$	4,502

(10) Investments in Joint Ventures and Affiliated Organizations

Provena has ownership interests in various entities, which are accounted for using the equity method of accounting. The carrying value of investments in affiliated companies amounted to approximately $6,291 and $6,330 at December 31, 2009 and 2008, respectively, and is included as a component of other noncurrent assets in the accompanying consolidated balance sheets. For the years ended December 31, 2009 and 2008, Provena recognized equity income of $1,063 and $395 on investments in affiliated companies, respectively. This income is included as a component of other revenues in the accompanying consolidated statements of operations.

Effective September 1, 2005, Alverno Provena Hospital Laboratories, Inc. (APHL, Inc.) was established as an Indiana nonprofit corporation through a joint venture among Provena, the Sisters of St. Francis Health Services, Inc., and certain affiliates. On January 31, 2008, Resurrection Healthcare joined APHL, Inc. as an equal participant. The corporation is operated as a cooperative hospital service organization, providing laboratory services for the benefit of its participants and patron hospitals. APHL, Inc. Provena has a 33.3% interest in APHL, Inc. at both December 31, 2009 and 2008, and an equity investment of $250 at both December 31, 2009 and 2008. APHL, Inc. returned previously contributed capital assets of $1,770 to Provena during 2008. Provena recognized no equity income or loss on APHL, Inc. in 2009 or 2008. APHL, Inc. made no cash distributions to Provena in 2009 or 2008.

Also effective September 1, 2005, Alverno Clinical Laboratories, LLC (ACL, LLC) was established through a joint venture between Provena and the Sisters of St. Francis Health Services, Inc. During 2007, Resurrection Health Care also became a joint venture member of ACL, LLC. This venture was established, among other things, to expand the availability of lab services to patients in the communities serviced by the company, encourage further improvement in the quality of lab services, and support APHL, Inc. Provena has a 33.3% interest in ACL, LLC and an equity investment of $3,963 and $4,175 at December 31, 2009 and 2008, respectively. Provena recognized equity losses on ACL, LLC of $212 in 2009 and $575 in 2008. ACL, LLC made no cash distributions to Provena in 2009 or 2008.

In addition to the APHL, Inc. and ACL, LLC investments described above, Provena has ownership interests in various other entities, which are also accounted for under the equity method. For the years ended December 31, 2009 and 2008, Provena recognized equity income of $1,275 and $970 from investments in these affiliated companies, respectively. Provena received no cash distributions from these equity method investees in 2009 or 2008.

(Dollars in thousands)

The following table summarizes the unaudited aggregated financial information of Provena's investments in joint ventures and affiliated organizations:

		2009	2008
Total assets	$	39,083	41,053
Total liabilities		21,316	23,092
Total equity	$	17,767	17,961
Net revenues	$	163,140	153,647
Operating expenses		159,803	151,675
Net income	$	3,337	1,972

Provena Hospitals obtains laboratory services from APHL, Inc., at cost, pursuant to an evergreen contractual agreement. Expense recognized by Provena for APHL, Inc. laboratory services was $31,581 in 2009 and $33,942 in 2008 and is included in purchased services.

(Dollars in thousands)

(11) Long-Term Debt

A summary of long-term debt at December 31, 2009 and 2008 is as follows:

		2009	2008
Illinois Finance Authority Revenue Bonds, Series 1998A, dated April 15, 1998, interest rates ranging from 4.50% to 5.75%, due May 15 annually in varying amounts through May 15, 2023	$	122,285	128,450
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 1998B, dated May 14, 1998, converted to auction rate bonds in April 2003 with interest rate resets with each 35-day auction period (0.56% and 1.49% at December 31, 2009 and 2008, respectively), due every 35 days through May 1, 2028		70,600	71,200
Illinois Finance Authority Revenue Bonds, Series 1998C, dated May 14, 1998, interest rate changes weekly (ranging from 7.00% – 9.00% at December 31, 2008), retired in 2009		—	46,700
Illinois Finance Authority Periodic Auction Reset Securities, Series 1998D, dated May 14, 1998, interest rate changes daily (0.156% and 2.50% at December 31, 2009 and 2008, respectively), due annually on May 1 beginning 2009 in varying amounts through May 1, 2028		17,200	17,750
Illinois Finance Authority Periodic Auction Reset Securities, Series 1998D-R, dated January 2, 2001, interest rate changes daily (0.156% and 2.50% at December 31, 2009 and 2008, respectively), due annually on May 1 beginning 2009 in varying amounts through May 1, 2028		108,800	112,250
Commercial Paper Revenue Notes, Series 1998, unsecured, interest rate changes daily (3.50% at December 31, 2008), retired in 2009		—	60,000
JPMorgan Chase Direct Note Obligation, Series 2005B, multi-use revolving credit facility (not to exceed $170,000 at December 31, 2008), dated February 27, 2008, variable interest rate, LIBOR plus 0.65% (3.19% at December 31, 2008), retired in 2009		—	170,000

(Dollars in thousands)

		2009	2008
JPMorgan Chase Direct Note Obligation, Series 2008A, multi-use revolving credit facility (not to exceed $14,000 at December 31, 2008), dated May 9, 2008, variable interest rate, LIBOR plus 0.65% (3.52% as of December 31, 2008), retired in 2009	$	—	14,000
Illinois Finance Authority Revenue Bonds, Series 2009A, dated June 25, 2009, effective interest rate of 8.00%, due annually beginning August 15, 2026 in varying amounts through August 15, 2034		200,000	—
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009B, dated July 9, 2009, interest rate changes daily (0.20% at December 31, 2009) , due in varying amounts annually beginning August 15, 2035 through August 15, 2044		50,000	—
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009C, dated July 9, 2009, interest rate changes weekly (0.27% at December 31, 2009) , due in varying amounts annually beginning August 15, 2035 through August 15, 2044		41,000	—
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009D, dated July 9, 2009, interest rate changes weekly (0.27% at December 31, 2009) , due in varying amounts annually beginning August 15, 2035 through August 15, 2044		25,000	—
U.S. Department of Housing and Urban Development, 9.25% mortgage payable in monthly principal and interest installments of $13 through November 2022, secured by a building		1,201	1,247
Total long-term debt		636,086	621,597
Less current installments of long-term debt		11,690	27,511
Less unamortized bond discount		5,304	—
Total long-term debt, net of current installments and unamortized bond discount	$	619,092	594,086

During 1998, the Parent (the Obligated Group Member), Provena Hospitals, Provena Senior Services, and Ventures (the Designated Affiliates) issued bonds and commercial paper notes amounting to $515,410 in order to provide funds to refinance certain then-existing indebtedness, to pay for certain capital expenditures and working capital, and pay expenses incurred in connection with the issuance of the bonds. All Series 1998 related bonds were secured by obligations issued under the Provena Health Master Trust Indenture (MTI) dated April 15, 1998 executed by the Obligated Group Member. The Obligated Group Member loaned proceeds from the bonds and the commercial paper notes to the Designated Affiliates through execution of informal notes payable. No Designated Affiliates were directly obligated with respect to the Master Notes; however, the MTI required that the Parent cause the Designated Affiliates to charge fees and rates for their services sufficient to enable the Parent to pay amounts due on Outstanding Master Notes and to comply with certain covenants contained in the MTI.

The purpose of the MTI is to provide a mechanism for the efficient and economical issuance of notes by Obligated Group members under the MTI using the collective borrowing capacity and credit rating of the Obligated Group members. The MTI requires members to make principal and interest payments on notes issued for their benefit as well as for other members if the other members are unable to make such payments. Payment of the scheduled principal and interest on all of the Series 1998 bonds and the commercial paper notes is insured by financial guaranty insurance policies issued by MBIA Insurance Corporation (MBIA (now known as National Public Finance Guarantee Corporation)). All of the Series 1998 bonds and the Series 1998 Commercial Paper Revenue Notes are secured by obligations issued under the MTI.

In 2005, Provena Health amended its MTI, which was subsequently amended and restated in 2009, to add Provena Hospitals (including six acute care hospital operating divisions) as a Member of the Obligated Group. In 2009, Provena Health amended its MTI to add Provena Senior Services as a Member of the Obligated Group. As a result, Provena Health, Provena Hospitals, and Provena Senior Services are now jointly and severally obligated on all obligations outstanding under the MTI. In addition, the MTI was further amended to establish additional covenants and provide additional security in favor of all obligation holders under the MTI, including a gross revenue pledge and certain financial covenants, which pledge and covenants may only be enforced by the Master Trustee at the direction of MBIA and may be modified, amended, or waived at any time with the consent of MBIA. As further security under the MTI, a mortgage has also been granted on Provena's six acute care hospital facilities.

Provena Health maintained a multi-use revolving credit facility with JPMorgan Chase Bank, N.A., for the purpose of meeting working capital requirements and financing capital expenditures in an amount not to exceed $170,000. As of December 31, 2008, Provena Health had borrowed $170,000 under the revolving credit agreement. The revolving agreement, which was secured by an obligation issued under the MTI and set to expire September 30, 2013, was fully repaid in 2009 with proceeds from the issuance of the Series 2009 bonds.

On May 9, 2008, Provena Health entered into a credit agreement with JPMorgan Chase Bank, N.A., in an aggregate principal amount not to exceed $14,000 for the purpose of refinancing the $14,000 borrowing associated with Provena St. Mary's and Provena Covenant Medical Center accounts receivable financing program. As of December 31, 2008, Provena Health had borrowed $14,000 under the revolving credit agreement; however, the obligation was fully repaid in 2009 with proceeds from the issuance of the Series 2009 bonds.

The Series 1998C bonds and Commercial Paper Revenue Notes, Series 1998, were backed by liquidity facility agreements with a commercial bank. The liquidity facility agreements expired on January 15, 2009 and were not renewed, replaced, or extended. Accordingly, all amounts of Series 1998C bonds and Commercial Paper Revenue Notes, Series 1998, outstanding as of January 15, 2009 were purchased by the commercial bank and converted to bank bonds pursuant to the terms of the liquidity facility agreements. The bank bonds bear interest at the highest of the following rates: the commercial bank's prime rate plus 1%; the Federal Funds Rate plus 2%; or 7%. These obligations were fully defeased in 2009 with proceeds from the issuance of the Series 2009 bonds.

Provena was not in compliance throughout 2008 with certain financial ratios and covenants contained in the MTI, revolving credit facilities, and liquidity facility agreements. Failure to maintain compliance could have resulted in acceleration of payment for debt outstanding under the MTI as well as collateral deposits to debt service reserve funds.

Provena was not in compliance at December 31, 2008 with its debt service coverage ratio requirement; debt capitalization ratio requirement; and debt service reserve funding requirements. Failure to comply with the MTI debt service coverage ratio requirement did not result in an event of default under the MTI; however, Provena was required by the MTI to engage operational consultants, which were retained by Provena in fiscal 2008. Noncompliance with the ratios and debt service reserve funding requirements did result in events of default with MBIA and the commercial bank providing the revolving credit facilities and liquidity facility agreements. These events of default, if not cured or waived, could have resulted in an acceleration of all obligations issued under the MTI. On May 27, 2009, Provena received compliance waivers from MBIA and the commercial bank for noncompliance with the aforementioned ratios and debt service reserve funding requirements as of and for the year ended December 31, 2008, and where applicable, the quarter ended March 31, 2009. Pursuant to the waiver granting process, Provena has amended and restated its MTI, as well as amended its revolving credit facility and liquidity facility agreements, as of May 27, 2009. The amended and restated MTI, as well as the amended revolving credit facility and liquidity facility agreements, revise the MBIA and commercial bank ratios, covenant requirements, and debt service reserve funding requirements. The amended and restated MTI also established additional covenants for the benefit of all obligation holders under the MTI, as well as granting a mortgage in favor of all obligation holders under the MTI on Provena's six acute care hospital facilities.

On June 25, 2009, Provena Health issued $200,000 of Illinois Finance Authority Revenue Bonds, Series 2009A. On July 9, 2009, Provena Health issued $116,000 of Illinois Finance Authority Variable Rate Demand Bonds, Series 2009B-D. The Series 2009B-D bonds have a put option that allows the holders to redeem the bonds prior to maturity. Provena has an agreement with a remarketing agent to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bonds will be purchased by commercial banks under a Direct Pay Letter of Credit (DPLOC) that currently expires on July 9, 2011. So long as no event of default has occurred or is continuing, loans made with a draw under the DPLOC for a failed remarketing will be required to be repaid in twelve (12) equal quarterly installments of principal plus interest at the higher of the prime rate, or the adjusted one-month LIBOR rate plus 1% to 3% depending on the date of maturity, with the initial installment commencing 367 days after the date of the drawing under the DPLOC.

(Dollars in thousands)

The Series 2009A and Series 2009B-D Bonds are secured by obligations issued under the MTI. The proceeds of the sale of both Series 2009A and Series 2009B-D bonds were used, together with certain other funds, to (i) reimburse Provena Health, Provena Hospitals and Provena Senior Services for, or refinance outstanding indebtedness the proceeds of which were used for costs of acquiring, constructing, renovating, remodeling and equipping the bond financed property, (ii) establish a debt service reserve fund and (iii) pay certain expenses incurred in connection with the issuance of the Series 2009 bonds. As a result, the following obligations were redeemed, paid off or extinguished in 2009: Illinois Development Finance Authority Revenue Bonds, Series 1998C; Commercial Paper Revenue Notes, Series 1998; JPMorgan Chase Direct Note Obligation, Series 2005B; and JPMorgan Chase Direct Note Obligation, Series 2008A.

Aggregate scheduled principal repayments on long-term debt, assuming the Series 2009B-D variable rate demand obligations being put back to the Obligated Group on December 31, 2009 and a corresponding draw being made on the underlying DPLOC credit facility, for the ensuing five years and thereafter are as follows:

2010	$	11,906
2011		51,716
2012		52,321
2013		51,452
2014		14,533
Thereafter		454,158
	$	636,086

Aggregate scheduled principal repayments on long-term debt based on the scheduled redemptions in accordance with the MTI for the ensuing five years and thereafter are as follows:

2010	$	11,906
2011		12,515
2012		13,121
2013		13,852
2014		14,533
Thereafter		570,159
	$	636,086

On February 11, 2010, Provena issued $126,000 of Illinois Finance Authority Revenue Bonds, Series 2010. The proceeds of the offering were, in part, used to purchase approximately $126,000 of par value Series 1998D and Series 1998D-R Periodic Auction Reset Securities at 88% of par value. Provena also terminated its Series 1998D-R interest rate swap agreement pursuant to the redemption of the Periodic Auction Reset Securities. A net gain of approximately $10,030 will be recognized in fiscal 2010 related to the bond redemption and termination of the Series 1998D-R interest rate swap agreement.

Guaranty

Provena is a co-guarantor on certain loans approximating $2,700 at December 31, 2009 related to a fitness center joint venture. Provena is also considered a co-guarantor of a lease of office space related to the fitness center joint venture with future outstanding commitments of $5,260 at December 31, 2009. Provena accrued a $3,250 loss during 2009 related to the guaranty of the fitness center debt and lease, which is included in other net nonoperating losses, none of which had been paid as of December 31, 2009.

Subsequent to year end, Provena negotiated a settlement with its joint venture partners and commercial banks to settle its obligation under its loan and lease guaranties. Under the settlement terms, Provena extinguished $2,868 of fitness center loans outstanding with three commercial banks. In exchange for the payment, Provena was released from all bank and lease guaranties and forfeited all interest in the fitness center joint venture.

(12) Auction Rate Securities

Due to illiquid credit market conditions, many auction rate securities encountered trading difficulties, including Provena's Series 1998B, 1998D, and 1998D-R auction rate securities. Beginning in February 2008, due to lack of demand for auction rate securities, implementation of the auction procedures applicable to such securities did not produce sufficient clearing bids, causing existing holders to retain their positions at an interest rate established by a formula set forth in the bond documents. Provena has been paying interest on its auction rate securities since February 2008 at the maximum rate for auction rate securities as set forth in the applicable bond documents. The maximum rate applicable to Provena's Series 1998B Bonds is 175% of ARS Index (i.e., the greater of the 30-Day After-Tax Equivalent Rate or The Bond Market Association (now known as SIFMA) Municipal Swap Index). The maximum rate applicable to Provena's Series 1998D and Series 1998D-R Bonds is 200% of the ARS Index (i.e., the greater of the Seven-Day After-Tax Equivalent Rate or the SIFMA Municipal Swap Index). The effective interest rates on the auction rate securities for 2009 and 2008 were 0.56% and 4.71% for the Series 1998B Bonds, respectively, and 0.16% and 3.21% for the Series 1998D Bonds, respectively, and 0.16% and 3.57% for the Series 1998D-R Bonds, respectively.

No defaults or cross-default events have occurred as a result of the lack of sufficient clearing bids for Provena's auction rate securities. Additionally, Provena is not required to pay off the debt due to such lack of sufficient clearing bids and there is no acceleration of payments. Holders of the auction rate securities are required to hold such securities at the rates established from time to time in the bond documents. On February 11, 2010, Provena redeemed approximately $126,000 par value of auction rate securities using a portion of the proceeds from the issuance of Series 2010 Revenue Bonds.

(13) Derivative Instruments and Hedging Activities

Provena has interest-rate-related derivative instruments to manage its exposure on its variable rate debt instruments and does not enter into derivative instruments for any purpose other than risk management purposes. That is, Provena does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, Provena is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes Provena, which creates credit risk for Provena. When the fair value of a derivative contract is negative, Provena owes the counterparty, and therefore, it does not possess credit risk. Provena minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is higher than Aa. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Provena management also mitigates risk through annual reviews of their derivative positions in the context of their total blended cost of capital.

Provena maintains interest rate swap programs on its Series 1998D-R debt and Series 1998B debt. The Series 1998D-R and 1998B debt exposes Provena to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into two interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps were originally intended to change the variable rate cash flow exposure on the Series 1998D-R and Series 1998B debt to fixed cash flows. Under the terms of the interest rate swaps, Provena receives variable interest rate payments and makes fixed interest rate payments, thereby reducing the variability of cash flows from changes in interest rates.

On July 13, 2005, Provena Health entered into an interest rate swap agreement with a notional amount of $122,150 whereby Provena Health will receive, on a monthly basis, 68.00% of one-month LIBOR rate. In exchange, Provena Health will pay an annualized fixed rate of 3.35%. The cash flows of the swap were effective May 15, 2008, the first call date for the Series 1998A bonds. The objective of Provena Health's strategy under this swap agreement was to hedge the variability in interest payments on the anticipated issuance of variable rate debt to refund the outstanding Series 1998A bonds on their call date of May 15, 2008. Provena did not refund the Series 1998A bonds in May 2008 as originally anticipated when the Series 1998A interest rate swap agreement became effective.

Effective January 1, 2008, Provena prospectively discontinued hedge accounting for its derivative instruments as management determined that designation of the derivatives as hedging instruments was no longer appropriate given overall credit market and interest rate conditions. Provena continues to carry its derivative instruments at fair value in the consolidated balance sheets and recognized $20,784 and $(30,561) in nonoperating gains (losses) for the years ended December 31, 2009 and 2008, respectively, attributable to the changes in the fair value of its derivatives.

(Dollars in thousands)

A summary of outstanding positions under interest rate swap agreements at December 31, 2009 is as follows:

Series	Notional amount	Maturity date	Rate received	Fixed rate paid
1998D-R	97,000	May 2028	65% of one-month LIBOR	4.704%
1998B	63,527	May 2028	65% of one-month LIBOR, plus 36 basis points	3.925
1998A	120,975	May 2023	68% of one-month LIBOR	3.350

Payments equal to the differential to be paid or received under the interest rate swap agreements are recognized monthly and amounted to payments of approximately $10,207 in 2009 and $5,281 in 2008, which are included in interest expense. The cumulative amount of prior year effective hedges charged to unrestricted net assets as of January 1, 2008 was $4,644, which is being reclassified to interest expense over the terms of the underlying long-term debt. Interest expense includes $258 in both 2009 and 2008 of amounts reclassified from unrestricted net assets related to the effective portion of prior year hedges charged to unrestricted net assets. The fair value of interest rate swap agreements of $29,214 and $49,998 at December 31, 2009 and 2008, respectively, are included with other long-term liabilities in the accompanying consolidated balance sheets.

Pursuant to the terms of its interest rate swap agreements, Provena is required to post collateral with its counterparties under certain specified conditions. Collateral posting requirements for each swap agreement are based on the amount of the derivative liability, Provena's bond ratings, and the number of days cash on hand. Provena posted $23,507 and $1,299 of collateral related to its swaps as of December 31, 2009 and 2008, respectively, which is included within the noncurrent portion of assets limited or restricted as to use. In 2009, collateral posting requirements were modified primarily based on downgrades in the credit ratings of Provena and MBIA.

(14) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2009 and 2008:

	2009	2008
Land, building, and equipment acquisitions	$ 5,349	7,003
Provision of health and pastoral care	2,034	2,156
	$ 7,383	9,159

(15) Endowments

Provena has various donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income and realized gains from the Funds are utilized for Provena operations. The funds are classified in permanently restricted net assets in the consolidated balance sheets at December 31, 2009 and 2008.

The Funds are maintained within Provena's commingled investment portfolio. The principal allocated to such Funds is approximately $1,548 and $1,036 at December 31, 2009 and 2008, respectively. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of December 31, 2009 and 2008.

(16) Self-Insurance

(a) Professional and General Liability

Provena Hospitals and Provena Senior Services are self-insured for professional and general liability. Professional insurance consultants have been retained to determine funding requirements. The amounts funded have been placed in an irrevocable trust account administered by a trustee. The trust assets are included within assets limited or restricted as to use in the accompanying consolidated balance sheets.

Provena is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against Provena and are currently in various stages of litigation. Additional claims may be asserted against Provena arising from services through December 31, 2008. It is the opinion of management that the estimated professional and general liabilities accrued at December 31, 2009 and 2008 are adequate to provide for potential losses resulting from pending or threatened litigation. The ultimate settlement of malpractice claims could be different from recorded accruals, with such differences being potentially significant. Professional and general liabilities are reported within estimated self-insured liabilities in the accompanying consolidated balance sheets.

Accrued professional and general liability losses are all reported as noncurrent liabilities and have been discounted at a rate of 3.25% and 2.00% as of December 31, 2009 and 2008, respectively. Professional and general liability self-insurance expense amounted to $22,577 and $37,141 for the years ended December 31, 2009 and 2008, respectively, and is included in other expense in the accompanying consolidated statements of operations.

Provena maintains varying levels of commercial umbrella and excess coverage by policy year. There are no assurances that Provena will be able to renew existing policies or procure coverage on similar terms in the future.

(b) Workers' Compensation

The Parent administers a self-insured workers' compensation program, which covers all Provena Health organizations except for the two long-term care and residential facilities in Indiana, which are commercially insured. Professional insurance consultants have been retained to determine funding requirements. The trust assets and the related liabilities are included in the accompanying consolidated balance sheets. Commercial workers' compensation claims umbrella and excess policies provide various levels of additional coverage by policy year. Workers' compensation self-insurance expense amounted to $5,688 and $6,494 for the years ended December 31, 2009 and 2008, respectively, and is included in salaries and benefits expense in the accompanying consolidated statements of operations. The entire liability for estimated self-insured workers' compensation claims is included within the current portion of estimated self-insurance liabilities in the accompanying consolidated balance sheets and has been discounted at the rate of 3.25% and 2.00% at December 31, 2009 and 2008, respectively.

(17) Employee Benefit Plans

The Provena Retirement Program consists of the Provena Employees' Pension Plan (the Plan), the Provena Employees' 403(b) Retirement Savings Plan (the Savings Plan), and the Provena Ventures, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan). Matching employer and base contributions under the Savings Plan and the 401(k) Plan are funded currently and amounted to $17,886 and $17,529 for the years ended December 31, 2009 and 2008, respectively, and are included in salaries and benefits expense in the accompanying consolidated statements of operations.

The Plan was frozen effective December 31, 2003 and only specified grandfathered employees remained as active participants in the Plan. The Plan was replaced effective January 1, 2004 with the Savings Plan, a defined contribution plan. Provena recognizes the cost related to the Plan using the Projected Unit Credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, were amortized over the expected future service period through 2004. Effective January 1, 2005, the amortization period was changed to the average remaining life expectancy of inactive participants (approximately 93% of plan participants are inactive). Prior service costs established January 1, 2001 and 2002 are being amortized over 8.8 years and 10.8 years, respectively.

Provena accounts for the Plan in accordance with ASC Topic 715, *Employer Accounting for Defined Benefit Pension and Other Postretirement Plans*. In accordance with ASC Topic 715, the funded status of the Plan, including all previously unrecognized actuarial gains and losses and unamortized prior service cost, is recognized as a component of unrestricted net assets in the accompanying consolidated balance sheets.

(Dollars in thousands)

The following table sets forth the Plan's funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions at the Plan's measurement date, December 31:

		2009	2008
Change in benefit obligation:			
Projected benefit obligation at beginning of year	$	380,370	364,641
Service cost		2,647	2,952
Interest cost		23,311	22,852
Actuarial (gains) losses		20,583	7,767
Benefits paid		(18,829)	(17,842)
Projected benefit obligation at end of year		408,082	380,370
Change in plan assets:			
Fair value of plan assets at beginning of year		303,162	407,199
Actual return on plan assets		50,872	(86,195)
Benefits paid		(18,829)	(17,842)
Fair value of plan assets at end of year		335,205	303,162
Funded status	$	(72,877)	(77,208)
Amounts recognized in the accompanying consolidated balance sheets:			
Pension benefit liability	$	(72,877)	(77,208)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:			
Unrecognized net actuarial losses	$	192,522	204,069
Unrecognized prior service cost		6	(84)
Net amounts included as an accumulated charge to unrestricted net assets	$	192,528	203,985

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(Dollars in thousands)

		2009	2008
Calculation of change in unrestricted net assets:			
Accumulated unrestricted net assets, end of year	$	192,528	203,985
Reversal of accumulated unrestricted net assets, prior year		(203,985)	(77,377)
Change in unrestricted net assets	$	(11,457)	126,608
Changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Actuarial loss (gain) arising during the year	$	(5,285)	127,863
Amortization of actuarial (loss) gain		(6,263)	(1,369)
Amortization of prior service cost		91	114
Net amounts recognized in unrestricted net assets as change in funded status of pension plan	$	(11,457)	126,608
Estimate of amounts that will be amortized from unrestricted net assets to net pension cost in 2010:			
Net actuarial loss	$	5,619	
Prior service cost		2	
Estimated future benefit payments:			
Fiscal 2010	$	19,375	
Fiscal 2011		20,792	
Fiscal 2012		22,438	
Fiscal 2013		24,287	
Fiscal 2014		25,712	
Fiscal 2015 – 2019		148,305	
Weighted average assumptions used to determine benefit obligations:			
Discount rate – benefit obligations		5.80%	6.22%
Discount rate – periodic benefit cost		6.22	6.40
Expected return on plan assets		8.50	8.50
Rate of compensation increase		4.00	4.00
Components of net periodic benefit cost (benefit):			
Service cost	$	2,647	2,952
Interest cost		23,311	22,852
Expected return on plan assets		(25,005)	(33,900)
Amortization of unrecognized net actuarial loss		6,263	1,369
Amortization of unrecognized prior service cost		(91)	(114)
Net periodic benefit cost (benefit)	$	7,125	(6,841)

(Dollars in thousands)

Provena's overall expected long-term rate of return on assets is 8.5% in 2009 and 2008, respectively. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Provena does not expect to make any contributions to the Plan during 2010.

Provena has developed a Plan investment policy, which is reviewed and approved by the Provena Investment Subcommittee and the Board of Directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a target asset allocation and an allowable range for such categories based on quarterly investment fluctuations. Investments are managed by independent advisors who are monitored by management and the Investment Subcommittee.

The table below shows the target allocation and acceptable ranges and actual asset allocations as of December 31, 2009 and 2008:

Asset	Target allocation	Acceptable range	December 31 2009	December 31 2008
Equities	60%	55 – 65%	59%	49%
Fixed income securities and cash equivalents	40	35 – 45	41	51
Real estate	—	0 – 3	—	—

Provena monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by Provena in estimating the fair value of its financial instruments of the Plan:

- Common stocks, quoted mutual funds, and direct U.S. government obligations, are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, and U.S. agency securities are measured using other observable inputs. The carrying value equals fair value.

(Dollars in thousands)

(b) Fair Value Hierarchy

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

		Total fair value	Fair value measurements at December 31 using (Level 1)	(Level 2)	(Level 3)
Investments:					
Cash and cash equivalents	$	814	814	—	—
Corporate debt securities		39,545	—	39,545	—
U.S. government obligations		96,935	24,060	72,875	—
Equity securities		194,958	194,958	—	—
Equity funds		2,953	2,953	—	—
Total	$	335,205	222,785	112,420	—

(18) Commitments and Contingencies

(a) Operating Leases

Provena leases various equipment and facilities under operating leases expiring at various dates through 2023. Total lease expense in 2009 and 2008 for all operating leases was approximately $16,157 and $16,332, respectively.

The following is a schedule by year of future minimum lease payments for the next five years and thereafter under operating leases as of December 31, 2009 that have initial or remaining lease terms in excess of one year:

2010	$	13,418
2011		10,581
2012		10,122
2013		9,305
2014		7,788
Thereafter		30,077
	$	81,291

(b) Medicare and Medicaid Reimbursement

Provena participates as a provider under the Medicare program. Federal legislation routinely includes provisions to change Medicare reimbursement mechanisms and reimbursement levels. For each the years ended December 31, 2009 and 2008, approximately 44% and 43%, respectively, of Provena's gross patient and resident service revenue related to services provided to Medicare beneficiaries. Recently enacted health care reform and other Medicare legislation may have an adverse effect on Provena's net patient and resident service revenues.

Medicaid payment methodologies and rates may be subject to modification based on the amount of funding available to the State of Illinois Medicaid program.

In January 2010, Provena received notices for four of its six hospital ministries from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contracting (RAC) program. Provena is responding to the request. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse effect on Provena's net patient and resident service revenues. No amounts have been accrued as of December 31, 2009 related to RAC program claim reviews.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. Provena is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on the consolidated financial position or results of operations.

(d) Charity Care Legislation

The Illinois attorney general and state legislature are considering legislation directed at Illinois not-for-profit hospitals. Such legislation could mandate the level of charity care, as defined by the State, that hospitals must provide in the future in order to retain state and local tax exemption benefits. Management is unable to predict the outcome of these legislative initiatives and any related impacts such legislation may have on Provena.

(e) Litigation

In the normal course of business, the Parent and affiliates are involved in litigation and regulatory investigations. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Provena's financial position or results from operations.

(f) Provena Covenant Medical Center Property Tax Exemption

In February, 2004, the Illinois Department of Revenue denied the Provena Covenant Medical Center (Covenant) application for real estate tax-exempt status for the 2002 tax year. Provena appealed this ruling and the decision was reversed in 2007 by the Circuit Court of Sangamon County. The Illinois Department of Revenue appealed the 2007 ruling to the Appellate Court of the Fourth District, which overturned the 2007 ruling. Provena filed a Petition for Leave to Appeal to the Supreme Court of Illinois. The Supreme Court of the State of Illinois granted the appeal and released their opinion on March 18, 2010 in favor of the Illinois Department of Revenue. As a result of the unfavorable ruling, Provena has provided approximately $9.3 million within 2009 other expense for real estate taxes and interest covered by the ruling for all periods through December 31, 2009.

(g) Provena Senior Services St. Joseph Center Tax Exemption

In March 2007, the Illinois Department of Revenue denied the Provena Senior Services St. Joseph Center (St. Joseph Center) application for real estate tax-exempt status for the 2004 tax year. St. Joseph Center has been accruing property taxes on this property from 2004 and for all periods through December 31, 2009. Provena is presently pursuing an appeal of the ruling. A hearing was held before an Administrative Law Judge in October, 2008. Provena expects a decision sometime in 2010.

(h) Investment Risks and Uncertainties

Provena invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities and current market conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying 2009 consolidated balance sheet.

(19) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events,* Provena evaluated subsequent events after the consolidated balance sheet date of December 31, 2009 through April 16, 2010, which was the date the financial statements were available to be issued.

PROVENA HEALTH AND AFFILIATES

Consolidating Balance Sheet Information

December 31, 2009

(In thousands)

Assets		Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Current assets:							
Cash and cash equivalents	$	37,765	35,401	12,446	1,635	—	87,247
Short-term investments		—	1,299	99	—	—	1,398
Assets limited or restricted as to use, required for current liabilities		10,650	—	—	—	—	10,650
Receivables:							
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately $117,767		4,070	163,270	11,008	—	—	178,348
Estimated receivables under third-party reimbursement programs		—	7,123	832	—	—	7,955
Due from affiliates		9,226	1,393	7	—	(10,626)	—
Inventories		—	21,092	682	—	—	21,774
Prepaid expenses and other		21,360	8,954	844	114	—	31,272
Total current assets		83,071	238,532	25,918	1,749	(10,626)	338,644
Assets limited or restricted as to use, net of current portion		393,689	21,183	6,917	—	(11,782)	410,007
Land, buildings, and equipment, net		46,943	580,307	55,054	5,607	—	687,911
Excess of purchase price over net assets acquired, net		—	727	106	—	—	833
Other		49,359	7,367	382	3,978	(32,287)	28,799
Total assets	$	573,062	848,116	88,377	11,334	(54,695)	1,466,194
Liabilities and Net Assets							
Current liabilities:							
Current installments of long-term debt	$	11,639	—	51	—	—	11,690
Current portion of obligations under capital leases		1,666	1,579	6	—	—	3,251
Current portion of estimated self-insurance liabilities		10,801	—	—	—	—	10,801
Accounts payable and accrued expenses		37,844	100,620	10,310	263	—	149,037
Estimated payables under third-party reimbursement programs		—	102,879	60	—	—	102,939
Due to affiliates		1,369	8,343	914	—	(10,626)	—
Other		25,627	7,753	1,281	309	(11,782)	23,188
Total current liabilities		88,946	221,174	12,622	572	(22,408)	300,906
Long-term debt, net of current installments		617,943	—	1,149	—	—	619,092
Obligations under capital leases, net of current portion		2,894	1,593	15	—	—	4,502
Estimated self-insurance liabilities, net of current portion		79,066	—	—	—	—	79,066
Pension benefit liability		72,877	—	—	—	—	72,877
Derivatives and other long-term liabilities		36,489	7,265	821	—	—	44,575
Total liabilities		898,215	230,032	14,607	572	(22,408)	1,121,018
Net assets (deficit):							
Unrestricted		(325,155)	610,922	72,003	10,762	(32,287)	336,245
Temporarily restricted		2	5,858	1,523	—	—	7,383
Permanently restricted		—	1,304	244	—	—	1,548
Total net assets		(325,153)	618,084	73,770	10,762	(32,287)	345,176
Total liabilities and net assets	$	573,062	848,116	88,377	11,334	(54,695)	1,466,194

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Operations Information

Year ended December 31, 2009

(In thousands)

		Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Revenue:							
Net patient and resident service revenue	$	28,234	1,149,612	90,147	—	—	1,267,993
Other revenues		157,843	14,170	5,782	311	(154,598)	23,508
Net assets released from restriction used for operations		—	910	159	—	—	1,069
Total revenue		186,077	1,164,692	96,088	311	(154,598)	1,292,570
Expenses:							
Salaries and benefits		73,181	456,818	62,088	—	(7,422)	584,665
Supplies and drugs		4,293	159,282	7,692	—	—	171,267
Purchased services		20,413	218,260	7,605	42	(84,450)	161,870
Interest		32,273	28,227	2,413	—	(31,410)	31,503
Depreciation and amortization		13,611	52,923	4,187	—	—	70,721
Provider tax assessment		—	34,355	—	—	—	34,355
Provision for uncollectible accounts		1,238	130,186	190	—	—	131,614
Restructuring charges		29,154	2,681	21	—	—	31,856
Other		32,304	72,222	7,499	218	(31,316)	80,927
Total expenses		206,467	1,154,954	91,695	260	(154,598)	1,298,778
Income (loss) from operations before impairments		(20,390)	9,738	4,393	51	—	(6,208)
Impairments		986	41	330	—	—	1,357
Income (loss) from operations		(21,376)	9,697	4,063	51	—	(7,565)
Nonoperating gains (losses):							
Investment income – realized		949	1,611	278	1	—	2,839
Investment income – unrealized		27,982	1,832	534	—	—	30,348
Derivatives valuation adjustment		20,784	—	—	—	—	20,784
Other, net		—	(5,018)	(66)	—	—	(5,084)
Net nonoperating gains (losses)		49,715	(1,575)	746	1	—	48,887
Revenue and gains in excess of expenses and losses		28,339	8,122	4,809	52	—	41,322
Other changes in unrestricted net assets:							
Expense reclassification for dedesignated hedges		258	—	—	—	—	258
Change in funded status of pension plan		11,457	—	—	—	—	11,457
Transfers from (to) affiliates		46,524	(41,161)	(5,368)	(4,387)	4,392	—
Net assets released from restriction used for the purchase of land, buildings, and equipment		—	3,601	246	—	—	3,847
Other, net		—	286	1	—	—	287
Change in unrestricted net assets	$	86,578	(29,152)	(312)	(4,335)	4,392	57,171

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended December 31, 2009

(In thousands)

	Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Unrestricted net assets:						
Revenue and gains in excess of expenses and losses	$ 28,339	8,122	4,809	52	—	41,322
Other changes in unrestricted net assets:						
Expense reclassification for dedesignated hedges	258	—	—	—	—	258
Change in funded status of pension plan	11,457	—	—	—	—	11,457
Transfer (to)/from affiliates	46,524	(41,161)	(5,368)	(4,387)	4,392	—
Net assets released from restriction used for the purchase of land, building, and equipment	—	3,601	246	—	—	3,847
Other, net	—	286	1	—	—	287
Change in unrestricted net assets	86,578	(29,152)	(312)	(4,335)	4,392	57,171
Temporarily restricted net assets:						
Restricted contributions	(25)	2,144	857	—	—	2,976
Change in net unrealized gains	—	80	—	—	—	80
Temporarily restricted investment income	1	83	—	—	—	84
Net assets released from restrictions used for the purchase of land, buildings, and equipment	—	(3,601)	(246)	—	—	(3,847)
Net assets released from restriction used for operations	—	(910)	(159)	—	—	(1,069)
Change in temporarily restricted net assets	(24)	(2,204)	452	—	—	(1,776)
Permanently restricted net assets:						
Restricted contributions	—	519	—	—	—	519
Net realized and unrealized gains (losses) on investments	—	(8)	1	—	—	(7)
Change in permanently restricted net assets	—	511	1	—	—	512
Change in net assets	86,554	(30,845)	141	(4,335)	4,392	55,907
Net assets at beginning of year	(411,707)	648,929	73,629	15,097	(36,679)	289,269
Net assets at end of year	$ (325,153)	618,084	73,770	10,762	(32,287)	345,176

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Cash Flows Information

Year ended December 31, 2009

(In thousands)

	Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Cash flows from operating activities:						
Change in net assets	$ 86,554	(30,845)	141	(4,335)	4,392	55,907
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	13,611	52,923	4,187	—	—	70,721
Provision for uncollectible accounts	1,238	130,186	190	—	—	131,614
Loss on sale of capital assets	—	—	62	—	—	62
Change in fair value of derivative instruments	(20,784)	—	—	—	—	(20,784)
Change in funded status of pension plan	(11,457)	—	—	—	—	(11,457)
Gains from equity interest of unconsolidated affiliates		(1,275)	—	212	—	(1,063)
Impairments	986	41	330	—	—	1,357
Change in net unrealized gains and losses on investment securities	(27,981)	(1,913)	(534)	—	—	(30,428)
Permanently restricted contributions	—	(519)	—	—	—	(519)
Changes in assets and liabilities:						
Patient and resident accounts receivable	(1,800)	(117,533)	1,901	—	—	(117,432)
Estimated settlements under third-party reimbursements programs, net	(6)	14,612	(130)	—	—	14,476
Inventories	(130)	(903)	(73)	—	—	(1,106)
Prepaid expenses and other assets	6,041	870	47	87	(6,578)	467
Accounts payable and accrued expenses	5,109	20,218	1,541	(2)	—	26,866
Estimated self-insurance liabilities	846	—	—	—	—	846
Other current liabilities	5,546	(5,489)	(512)	(9)	5,256	4,792
Other long-term liabilities	10,166	(5,602)	90	—	4,391	9,045
Net cash provided by (used in) operating activities	67,939	54,771	7,240	(4,047)	7,461	133,364
Cash flows from investing activities:						
Acquisition of land, buildings, and equipment, net	(7,884)	(39,179)	(2,176)	—	—	(49,239)
Net proceeds from sale of capital assets	—	—	3	—	—	3
Net change in assets limited or restricted as to use	(70,874)	1,197	(153)	—	1,555	(68,275)
Net change in short-term investments	—	75	5	—	—	80
Change in other long-term assets	8,127	1,036	(85)	4,388	(9,016)	4,450
Net cash provided by (used in) investing activities	(70,631)	(36,871)	(2,406)	4,388	(7,461)	(112,981)
Cash flows from financing activities:						
Repayment of obligations under capital leases	(887)	(2,191)	(7)	—	—	(3,085)
Repayment of long-term debt	(301,965)	—	(50)	—	—	(302,015)
Issuance of long-term debt	310,588	—	—	—	—	310,588
Payment of bond issue costs	(5,760)	—	—	—	—	(5,760)
Permanently restricted contributions	—	519	—	—	—	519
Net cash provided by (used in) financing activities	1,976	(1,672)	(57)	—	—	247
Net change in cash and cash equivalents	(716)	16,228	4,777	341	—	20,630
Cash and cash equivalents at beginning of year	38,481	19,173	7,669	1,294	—	66,617
Cash and cash equivalents at end of year	$ 37,765	35,401	12,446	1,635	—	87,247
Supplemental disclosure of cash flow information:						
Cash paid for interest, net of amounts capitalized	$ 29,713	—	113	—	—	29,826
Supplemental disclosure of noncash transactions:						
Assets acquired under capital leases	$ 4,447	82	7	—	—	4,536

See accompanying independent auditors' report.

PROVENA HOSPITALS

Consolidating Balance Sheet Information

December 31, 2009

(In thousands)

Assets		Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Current assets:					
Cash and cash equivalents	$	9,205	3,227	4,050	13,778
Short-term investments		—	—	—	1,299
Receivables:					
Patient accounts receivable, less allowance for uncollectible accounts of approximately $116,162		24,706	24,477	24,206	56,098
Estimated receivables under third-party reimbursement programs		1,025	328	13	4,273
Due from affiliates		191	198	204	434
Inventories		3,323	2,857	4,383	5,782
Prepaid expenses and other		948	1,784	815	1,230
Total current assets		39,398	32,871	33,671	82,894
Assets limited or restricted as to use, net of current portion		5,417	5,233	2,481	2,240
Land, buildings, and equipment, net		40,876	63,103	136,337	257,680
Excess of purchase price over net assets acquired, net		—	—	—	243
Other		736	2,399	1,618	1,243
Total assets	$	86,427	103,606	174,107	344,300
Liabilities and Net Assets					
Current liabilities:					
Current portion of obligations under capital leases	$	187	133	124	698
Accounts payable and accrued expenses		23,444	15,141	10,065	28,320
Estimated payables under third-party reimbursement programs		13,308	14,868	18,793	39,613
Due to affiliates		1,061	1,130	1,319	2,135
Other		415	1,262	1,538	564
Total current liabilities		38,415	32,534	31,839	71,330
Obligations under capital leases, net of current portion		181	159	139	681
Derivatives and other long-term liabilities		159	2,150	543	2,622
Total liabilities		38,755	34,843	32,521	74,633
Net assets (deficit):					
Unrestricted		47,508	67,089	140,527	267,513
Temporarily restricted		66	1,273	614	1,960
Permanently restricted		98	401	445	194
Total net assets		47,672	68,763	141,586	269,667
Total liabilities and net assets	$	86,427	103,606	174,107	344,300

See accompanying independent auditors' report.

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
5,141	—	—	35,401	—	35,401
—	—	—	1,299	—	1,299
20,049	12,553	1,181	163,270	—	163,270
746	738	—	7,123	—	7,123
308	524	100	1,959	(566)	1,393
2,770	1,977	—	21,092	—	21,092
1,605	2,305	267	8,954	—	8,954
30,619	18,097	1,548	239,098	(566)	238,532
1,614	4,198	—	21,183	—	21,183
54,041	25,755	2,515	580,307	—	580,307
484	—	—	727	—	727
756	463	152	7,367	—	7,367
87,514	48,513	4,215	848,682	(566)	848,116
179	258	—	1,579	—	1,579
10,686	10,878	2,086	100,620	—	100,620
9,017	7,280	—	102,879	—	102,879
1,294	1,771	199	8,909	(566)	8,343
781	653	2,540	7,753	—	7,753
21,957	20,840	4,825	221,740	(566)	221,174
206	227	—	1,593	—	1,593
1,224	435	132	7,265	—	7,265
23,387	21,502	4,957	230,598	(566)	230,032
62,514	26,513	(742)	610,922	—	610,922
1,595	350	—	5,858	—	5,858
18	148	—	1,304	—	1,304
64,127	27,011	(742)	618,084	—	618,084
87,514	48,513	4,215	848,682	(566)	848,116

PROVENA HOSPITALS

Consolidating Statement of Operations Information

Year ended December 31, 2009

(In thousands)

	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Revenue:	$			
Net patient and resident service revenue	163,641	169,225	163,896	380,339
Other revenues	1,415	3,582	1,466	4,260
Net assets released from restriction used for operations	179	135	8	126
Total revenue	165,235	172,942	165,370	384,725
Expenses:				
Salaries and benefits	53,393	67,956	69,752	153,830
Supplies and drugs	22,922	18,760	23,563	56,255
Purchased services	34,789	29,352	31,765	62,784
Interest	3,861	3,428	5,908	9,840
Depreciation and amortization	5,515	8,811	10,738	18,728
Provider tax assessment	4,410	6,961	4,394	12,071
Provision for uncollectible accounts	19,890	20,672	16,859	39,399
Restructuring costs	274	559	979	648
Other	21,086	9,452	7,615	17,384
Total expenses	166,140	165,951	171,573	370,939
Income (loss) from operations before impairments	(905)	6,991	(6,203)	13,786
Impairments	—	41	—	—
Income (loss) from operations	(905)	6,950	(6,203)	13,786
Nonoperating gains (losses):				
Investment income – realized	105	597	108	382
Investment income (loss) – unrealized	1,063	216	(1)	164
Other, net	(9)	(3,899)	(598)	8
Net nonoperating gains (losses)	1,159	(3,086)	(491)	554
Revenue and gains in excess (deficient) of expenses and losses	254	3,864	(6,694)	14,340
Other changes in unrestricted net assets:				
Transfers from (to) affiliates	(7,647)	(13,349)	169	(15,294)
Net assets released from restriction used for the purchase of land, buildings, and equipment	1,002	366	771	619
Other, net	—	—	—	291
Change in unrestricted net assets	$ (6,391)	(9,119)	(5,754)	(44)

See accompanying independent auditors' report.

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
141,621	114,111	16,808	1,149,641	(29)	1,149,612
1,867	2,319	231	15,140	(970)	14,170
72	390	—	910	—	910
143,560	116,820	17,039	1,165,691	(999)	1,164,692
48,657	43,426	19,804	456,818	—	456,818
21,813	15,108	890	159,311	(29)	159,282
29,738	26,420	3,412	218,260	—	218,260
3,425	1,686	79	28,227	—	28,227
5,329	3,442	360	52,923	—	52,923
3,557	2,962	—	34,355	—	34,355
17,243	15,267	856	130,186	—	130,186
14	138	69	2,681	—	2,681
6,811	7,209	3,635	73,192	(970)	72,222
136,587	115,658	29,105	1,155,953	(999)	1,154,954
6,973	1,162	(12,066)	9,738	—	9,738
—	—	—	41	—	41
6,973	1,162	(12,066)	9,697	—	9,697
230	189	—	1,611	—	1,611
160	230	—	1,832	—	1,832
(446)	(3)	(71)	(5,018)	—	(5,018)
(56)	416	(71)	(1,575)	—	(1,575)
6,917	1,578	(12,137)	8,122	—	8,122
(8,041)	(9,271)	12,272	(41,161)	—	(41,161)
406	437	—	3,601	—	3,601
(37)	—	32	286	—	286
(755)	(7,256)	167	(29,152)	—	(29,152)

PROVENA HOSPITALS

Consolidating Statement of Changes in Net Assets Information

Year ended December 31, 2009

(In thousands)

		Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Unrestricted net assets:					
Revenue and gains in excess (deficient) of expenses and losses	$	254	3,864	(6,694)	14,340
Other changes in unrestricted net assets:					
Transfer (to)/from affiliates		(7,647)	(13,349)	169	(15,294)
Net assets released from restriction used for the purchase of land, building, and equipment		1,002	366	771	619
Other, net		—	—	—	291
Change in unrestricted net assets		(6,391)	(9,119)	(5,754)	(44)
Temporarily restricted net assets:					
Restricted contributions		708	375	(59)	18
Change in net unrealized gains		—	—	—	—
Temporarily restricted investment income (loss)		(12)	64	—	—
Net assets released from restrictions used for the purchase of land, buildings, and equipment		(1,002)	(366)	(771)	(619)
Net assets released from restriction used for operations		(179)	(135)	(8)	(126)
Change in temporarily restricted net assets		(485)	(62)	(838)	(727)
Permanently restricted net assets:					
Restricted contributions		(7)	77	445	—
Net realized and unrealized losses on investments		(8)	—	—	—
Change in permanently restricted net assets		(15)	77	445	—
Change in net assets		(6,891)	(9,104)	(6,147)	(771)
Net assets at beginning of year		54,563	77,867	147,733	270,438
Net assets at end of year	$	47,672	68,763	141,586	269,667

See accompanying independent auditors' report.

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
6,917	1,578	(12,137)	8,122	—	8,122
(8,041)	(9,271)	12,272	(41,161)	—	(41,161)
406	437	—	3,601	—	3,601
(37)	—	32	286	—	286
(755)	(7,256)	167	(29,152)	—	(29,152)
290	812	—	2,144	—	2,144
80	—	—	80	—	80
31	—	—	83	—	83
(406)	(437)	—	(3,601)	—	(3,601)
(72)	(390)	—	(910)	—	(910)
(77)	(15)	—	(2,204)	—	(2,204)
—	4	—	519	—	519
—	—	—	(8)	—	(8)
—	4	—	511	—	511
(832)	(7,267)	167	(30,845)	—	(30,845)
64,959	34,278	(909)	648,929	—	648,929
64,127	27,011	(742)	618,084	—	618,084

PROVENA HOSPITALS

Consolidating Statement of Cash Flows Information

Year ended December 31, 2009

(In thousands)

		Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Cash flows from operating activities:					
Change in net assets	$	(6,891)	(9,104)	(6,147)	(771)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization		5,515	8,811	10,738	18,728
Provision for uncollectible accounts		19,890	20,672	16,859	39,399
Gains from equity interest of unconsolidated affiliates		—	(1,006)	—	(55)
Impairments		—	41	—	—
Change in net unrealized gains and losses on investment securities		(1,063)	(216)	1	(164)
Permanently restricted contributions		8	(77)	(445)	—
Changes in assets and liabilities:					
Patient and resident accounts receivable		(21,717)	(18,446)	(9,253)	(40,812)
Estimated settlements under third-party reimbursement programs, net		3,777	(369)	2,987	(115)
Inventories		(615)	39	(7)	(217)
Prepaid expenses and other assets		299	473	(157)	677
Accounts payable and accrued expenses		12,304	3,002	(2,757)	1,338
Other current liabilities		(667)	(2,140)	(1,657)	2,295
Other long-term liabilities		(1,277)	196	224	(601)
Net cash provided by operating activities		9,563	1,876	10,386	19,702
Cash flows from investing activities:					
Acquisition of land, buildings, and equipment, net		(3,333)	(5,064)	(3,937)	(20,917)
Net change in assets limited or restricted as to use		213	(295)	491	858
Net change in short-term investments		—	—	—	75
Change in other long-term assets		88	732	(222)	698
Net cash used in investing activities		(3,032)	(4,627)	(3,668)	(19,286)
Cash flows from financing activities:					
Repayment of obligations under capital leases		(511)	(121)	(198)	(639)
Permanently restricted contributions		(8)	77	445	—
Net cash provided by (used in) financing activities		(519)	(44)	247	(639)
Net change in cash and cash equivalents		6,012	(2,795)	6,965	(223)
Cash and cash equivalents at beginning of year		3,193	6,022	(2,915)	14,001
Cash and cash equivalents at end of year	$	9,205	3,227	4,050	13,778
Supplemental disclosure of noncash transactions:					
Assets acquired under capital leases	$	—	82	—	—

See accompanying independent auditors' report.

ATTACHMENT 39

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
(832)	(7,267)	167	(30,845)	—	(30,845)
5,329	3,442	360	52,923	—	52,923
17,243	15,267	856	130,186	—	130,186
(70)	—	(144)	(1,275)	—	(1,275)
—	—	—	41	—	41
(241)	(230)	—	(1,913)	—	(1,913)
—	(5)	—	(519)	—	(519)
(15,493)	(10,579)	(1,233)	(117,533)	—	(117,533)
3,453	4,879	—	14,612	—	14,612
(103)	—	—	(903)	—	(903)
(190)	(215)	(17)	870	—	870
2,439	3,702	190	20,218	—	20,218
(3,994)	615	59	(5,489)	—	(5,489)
(4,159)	(18)	33	(5,602)	—	(5,602)
3,382	9,591	271	54,771	—	54,771
(3,102)	(2,706)	(120)	(39,179)	—	(39,179)
317	(387)	—	1,197	—	1,197
—	—	—	75	—	75
(9)	(344)	93	1,036	—	1,036
(2,794)	(3,437)	(27)	(36,871)	—	(36,871)
(401)	(321)	—	(2,191)	—	(2,191)
—	5	—	519	—	519
(401)	(316)	—	(1,672)	—	(1,672)
187	5,838	244	16,228	—	16,228
4,954	(5,838)	(244)	19,173	—	19,173
5,141	—	—	35,401	—	35,401
—	—	—	82	—	82

PROVENA HEALTH AND AFFILIATES

Consolidating Balance Sheet Information

December 31, 2008

(In thousands)

Assets	Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Current assets:						
Cash and cash equivalents	$ 38,481	19,173	7,669	1,294	—	66,617
Short-term investments	—	1,374	104	—	—	1,478
Assets limited or restricted as to use, required for current liabilities	10,247	—	—	—	—	10,247
Receivables:						
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately $104,215	4,196	175,924	13,099	—	—	193,219
Estimated receivables under third-party reimbursement programs	(3)	31,517	695	—	—	32,209
Due from affiliates	16,016	760	13	84	(16,873)	—
Inventories	11	20,189	610	—	—	20,810
Collateral held under securities lending agreement	54,910	—	—	—	—	54,910
Prepaid expenses and other	20,611	10,170	884	115	—	31,780
Total current assets	144,469	259,107	23,074	1,493	(16,873)	411,270
Assets limited or restricted as to use, net of current portion	295,237	20,468	6,230	—	(10,228)	311,707
Due from affiliates	—	—	—	4,392	(4,392)	—
Land, buildings, and equipment, net	52,761	592,232	57,460	5,607	—	708,060
Excess of purchase price over net assets acquired, net	—	1,355	113	—	—	1,468
Other	51,616	8,084	290	4,188	(36,679)	27,499
Total assets	$ 544,083	881,246	87,167	15,680	(68,172)	1,460,004
Liabilities and Net Assets						
Current liabilities:						
Current installments of long-term debt	$ 27,465	—	46	—	—	27,511
Current portion of obligations under capital leases	180	1,951	4	—	—	2,135
Current portion of estimated self-insurance liabilities	10,522	—	—	—	—	10,522
Accounts payable and accrued expenses	32,673	80,401	8,769	265	—	122,108
Estimated payables under third-party reimbursement programs	(1)	112,666	52	—	—	112,717
Due to affiliates	921	14,722	1,232	(2)	(16,873)	—
Payable under securities lending agreement	54,910	—	—	—	—	54,910
Other	22,900	8,118	1,487	320	(10,228)	22,597
Total current liabilities	149,570	217,858	11,590	583	(27,101)	352,500
Long-term debt, net of current installments	593,385	—	1,201	—	—	594,586
Obligations under capital leases, net of current portion	822	3,327	18	—	—	4,167
Estimated self-insurance liabilities, net of current portion	78,499	—	—	—	—	78,499
Due to affiliates	—	4,392	—	—	(4,392)	—
Pension benefit liability	77,208	—	—	—	—	77,208
Derivatives and other long-term liabilities	56,306	6,740	729	—	—	63,775
Total liabilities	955,790	232,317	13,538	583	(31,493)	1,170,735
Net assets (deficit):						
Unrestricted	(411,733)	640,074	72,315	15,097	(36,679)	279,074
Temporarily restricted	26	8,062	1,071	—	—	9,159
Permanently restricted		793	243	—	—	1,036
Total net assets	(411,707)	648,929	73,629	15,097	(36,679)	289,269
Total liabilities and net assets	$ 544,083	881,246	87,167	15,680	(68,172)	1,460,004

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Operations Information

Year ended December 31, 2008

(In thousands)

	Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Revenue:						
Net patient and resident service revenue	$ 26,175	1,112,744	86,603	—	—	1,225,522
Other revenues	154,223	14,351	4,205	13	(151,261)	21,531
Net assets released from restriction used for operations	—	1,552	244	—	—	1,796
Total revenue	180,398	1,128,647	91,052	13	(151,261)	1,248,849
Expenses:						
Salaries and benefits	73,363	463,409	60,083	—	(6,874)	589,981
Supplies and drugs	4,252	163,256	7,499	—	—	175,007
Purchased services	24,552	232,269	8,157	63	(91,822)	173,219
Interest	28,778	22,036	2,439	—	(30,891)	22,362
Depreciation and amortization	13,895	50,150	4,210	—	—	68,255
Provider tax assessment	—	32,302	—	—	—	32,302
Provision for uncollectible accounts	177	113,878	17	—	—	114,072
Restructuring charges	9,579	373	—	—		9,952
Other	49,235	59,527	7,808	217	(21,674)	95,113
Total expenses	203,831	1,137,200	90,213	280	(151,261)	1,280,263
Income (loss) from operations before impairments	(23,433)	(8,553)	839	(267)	—	(31,414)
Impairments	2,948	737	—	—	—	3,685
Income (loss) from operations	(26,381)	(9,290)	839	(267)	—	(35,099)
Nonoperating gains (losses):						
Investment income - realized	579	1,706	433	8	—	2,726
Investment income (loss) - unrealized	(50,511)	(2,496)	(864)	—	—	(53,871)
Derivatives valuation adjustment	(30,561)	—	—	—	—	(30,561)
Other, net	—	(3,414)	(114)	—	—	(3,528)
Net nonoperating gains (losses)	(80,493)	(4,204)	(545)	8	—	(85,234)
Revenue and gains in excess (deficient) of expenses and losses	(106,874)	(13,494)	294	(259)	—	(120,333)
Other changes in unrestricted net assets:						
Expense reclassification for dedesignated hedges	258	—	—	—	—	258
Change in funded status of pension plan	(126,608)	—	—	—	—	(126,608)
Transfers from (to) affiliates	(50,310)	50,668	(358)	—	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment	—	11,835	44	—	—	11,879
Other, net	—	93	—	491	(491)	93
Change in unrestricted net assets	$ (283,534)	49,102	(20)	232	(491)	(234,711)

See accompanying independent auditors' report.

Schedule 11

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Year ended December 31, 2008

(In thousands)

		Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Unrestricted net assets:							
Revenue and gains in excess (deficient) of expenses and losses	$	(106,874)	(13,494)	294	(259)	—	(120,333)
Other changes in unrestricted net assets:							
Expense reclassification for dedesignated hedges		258	—	—	—	—	258
Change in funded status of pension plan		(126,608)	—	—	—	—	(126,608)
Transfer (to)/from affiliates		(50,310)	50,668	(358)	—	—	—
Net assets released from restriction used for the purchase of land, building, and equipment		—	11,835	44	—	—	11,879
Other, net		—	93	—	491	(491)	93
Change in unrestricted net assets		(283,534)	49,102	(20)	232	(491)	(234,711)
Temporarily restricted net assets:							
Restricted contributions		—	6,494	683	—	—	7,177
Change in net unrealized gains (losses)		—	(182)	—	—	—	(182)
Temporarily restricted investment income		(2)	49	—	—	—	47
Net assets released from restrictions used for the purchase of land, buildings, and equipment		—	(11,835)	(44)	—	—	(11,879)
Net assets released from restriction used for operations		—	(1,552)	(244)	—	—	(1,796)
Change in temporarily restricted net assets		(2)	(7,026)	395	—	—	(6,633)
Permanently restricted net assets:							
Restricted contributions		—	168	—	—	—	168
Net realized and unrealized gains (losses) on investments		—	13	—	—	—	13
Change in permanently restricted net assets		—	181	—	—	—	181
Change in net assets		(283,536)	42,257	375	232	(491)	(241,163)
Net assets at beginning of year		(128,171)	606,672	73,254	14,865	(36,188)	530,432
Net assets at end of year	$	(411,707)	648,929	73,629	15,097	(36,679)	289,269

See accompanying independent auditors' report.

ATTACHMENT 39

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Cash Flows Information

Year ended December 31, 2008

(In thousands)

	Provena Health	Provena Hospitals	Provena Senior Services	Provena Ventures, Inc.	Eliminations	Consolidated totals
Cash flows from operating activities:						
Change in net assets	$ (283,536)	42,256	375	232	(490)	(241,163)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	13,895	50,150	4,210	—	—	68,255
Provision for uncollectible accounts	177	113,878	17	—	—	114,072
Loss on sale of capital assets	—	608	107	—	—	715
Change in fair value of derivative instruments	30,561	—	—	—	—	30,561
Change in funded status of pension plan	126,608	—	—	—	—	126,608
Gains from equity interest of unconsolidated affiliates	—	(975)	—	580	—	(395)
Impairments	2,948	737	—	—	—	3,685
Change in net unrealized gains and losses on investment securities	50,511	2,679	864	—	—	54,054
Permanently restricted contributions	—	(168)	—	—	—	(168)
Changes in assets and liabilities:						
Patient and resident accounts receivable	(121)	(135,139)	(3,125)	—	—	(138,385)
Estimated settlements under third-party reimbursement programs, net	29	11,352	254	—	—	11,635
Inventories	—	536	(77)	—	—	459
Prepaid expenses and other assets	(10,277)	5,060	(512)	103	375	(5,251)
Accounts payable and accrued expenses	10,513	(6,421)	(49)	125	—	4,168
Estimated self-insurance liabilities	8,819	—	—	—	—	8,819
Other current liabilities	5,745	5,070	390	(112)	(3,498)	7,595
Other long-term liabilities	242	32	(43)	(41)	85	275
Net cash provided by (used in) operating activities	(43,886)	89,655	2,411	887	(3,528)	45,539
Cash flows from investing activities:						
Acquisition of land, buildings, and equipment, net	(11,915)	(101,885)	(3,448)	—	—	(117,248)
Net proceeds from sale of capital assets	—	1,726	—	—	—	1,726
Net change in assets limited or restricted as to use	18,869	4,232	(204)	—	3,339	26,236
Net change in short-term investments	—	1,066	(1)	—	—	1,065
Change in other long-term assets	2,962	(427)	56	(366)	189	2,414
Net cash provided by (used in) investing activities	9,916	(95,288)	(3,597)	(366)	3,528	(85,807)
Cash flows from financing activities:						
Repayment of obligations under capital leases	(114)	(2,486)	(2)	—	—	(2,602)
Repayment of long-term debt	(7,055)	—	(42)	—	—	(7,097)
Issuance of long-term debt	44,000	—	—	—	—	44,000
Permanently restricted contributions		168	—	—	—	168
Net cash provided by (used in) financing activities	36,831	(2,318)	(44)	—	—	34,469
Net change in cash and cash equivalents	2,861	(7,951)	(1,230)	521	—	(5,799)
Cash and cash equivalents at beginning of year	35,620	27,124	8,899	773	—	72,416
Cash and cash equivalents at end of year	$ 38,481	19,173	7,669	1,294	—	66,617
Supplemental disclosure of cash flow information:						
Cash paid for interest, net of amounts capitalized	$ 26,924	—	117	—	—	27,041
Supplemental disclosures of noncash transactions:						
Assets acquired under capital leases	$ 1,113	578	24	—	—	1,715
Return of capital assets from investee	1,770	—	—	—	—	1,770

See accompanying independent auditors' report.

PROVENA HOSPITALS

Consolidating Balance Sheet Information

December 31, 2008

(In thousands)

Assets		Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Current assets:					
Cash and cash equivalents	$	3,193	6,022	(2,915)	14,001
Short-term investments		—	—	—	1,374
Receivables:					
Patient accounts receivable, less allowance for uncollectible accounts of approximately $102,865		22,881	26,704	31,812	54,684
Estimated receivables under third-party reimbursement programs		3,038	6,973	3,431	8,814
Due from affiliates		176	466	168	379
Inventories		2,709	2,896	4,375	5,565
Prepaid expenses and other		1,256	2,330	675	2,034
Total current assets		33,253	45,391	37,546	86,851
Assets limited or restricted as to use, net of current portion		4,566	4,722	2,974	2,934
Land, buildings, and equipment, net		43,057	65,339	143,020	255,491
Excess of purchase price over net assets acquired, net		—	—	—	730
Other		830	3,335	1,534	1,329
Total assets	$	81,706	118,787	185,074	347,335
Liabilities and Net Assets					
Current liabilities:					
Current portion of obligations under capital leases	$	510	114	264	639
Accounts payable and accrued expenses		11,140	12,138	12,822	26,985
Estimated payables under third-party reimbursement programs		11,546	21,883	19,225	44,269
Due to affiliates		1,910	2,545	2,799	(60)
Other		420	2,127	1,773	1,161
Total current liabilities		25,526	38,807	36,883	72,994
Obligations under capital leases, net of current portion		368	216	197	1,379
Due to affiliates		—	—	—	—
Derivatives and other long-term liabilities		1,249	1,897	261	2,524
Total liabilities		27,143	40,920	37,341	76,897
Net assets (deficit):					
Unrestricted		53,899	76,208	146,281	267,557
Temporarily restricted		551	1,335	1,452	2,687
Permanently restricted		113	324	—	194
Total net assets		54,563	77,867	147,733	270,438
Total liabilities and net assets	$	81,706	118,787	185,074	347,335

See accompanying independent auditors' report.

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
4,954	(5,838)	(244)	19,173	—	19,173
—	—	—	1,374	—	1,374
21,799	17,240	804	175,924	—	175,924
4,425	4,836	—	31,517	—	31,517
221	418	62	1,890	(1,130)	760
2,667	1,977	—	20,189	—	20,189
1,502	2,085	288	10,170	—	10,170
35,568	20,718	910	260,237	(1,130)	259,107
1,690	3,582	—	20,468	—	20,468
56,079	26,490	2,756	592,232	—	592,232
625	—	—	1,355	—	1,355
726	230	100	8,084	—	8,084
94,688	51,020	3,766	882,376	(1,130)	881,246
424	—	—	1,951	—	1,951
8,247	7,173	1,896	80,401	—	80,401
9,244	6,499	—	112,666	—	112,666
5,819	1,643	1,196	15,852	(1,130)	14,722
406	747	1,484	8,118	—	8,118
24,140	16,062	4,576	218,988	(1,130)	217,858
361	806	—	3,327	—	3,327
4,392	—	—	4,392	—	4,392
836	(126)	99	6,740	—	6,740
29,729	16,742	4,675	233,447	(1,130)	232,317
63,269	33,769	(909)	640,074	—	640,074
1,672	365	—	8,062	—	8,062
18	144	—	793	—	793
64,959	34,278	(909)	648,929	—	648,929
94,688	51,020	3,766	882,376	(1,130)	881,246

PROVENA HOSPITALS

Consolidating Statement of Operations Information

Year ended December 31, 2008

(In thousands)

	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Revenue:	$			
Net patient and resident service revenue	149,754	173,101	166,437	353,439
Other revenues	1,720	3,578	1,723	3,522
Net assets released from restriction used for operations	224	77	11	241
Total revenue	151,698	176,756	168,171	357,202
Expenses:				
Salaries and benefits	58,440	70,126	73,846	146,678
Supplies and drugs	23,159	21,516	26,653	53,765
Purchased services	38,608	32,683	30,441	65,969
Interest	3,543	3,488	3,919	5,939
Depreciation and amortization	5,853	9,705	9,037	16,688
Provider tax assessment	3,951	6,532	4,329	10,714
Provision for uncollectible accounts	16,256	21,238	12,862	32,820
Restructuring charges	—	132	—	241
Other	9,229	9,407	9,656	15,129
Total expenses	159,039	174,827	170,743	347,943
Income (loss) from operations before impairments	(7,341)	1,929	(2,572)	9,259
Impairments	—	38	—	—
Income (loss) from operations	(7,341)	1,891	(2,572)	9,259
Nonoperating gains (losses):				
Investment income – realized	134	797	283	308
Investment income (loss) – unrealized	(1,379)	16	(24)	(290)
Other, net	262	(2,913)	—	(539)
Net nonoperating gains (losses)	(983)	(2,100)	259	(521)
Revenue and gains in excess (deficient) of expenses and losses	(8,324)	(209)	(2,313)	8,738
Other changes in unrestricted net assets:				
Transfers from (to) affiliates	522	(9,413)	22,289	26,073
Net assets released from restriction used for the purchase of land, buildings, and equipment	453	717	6,961	434
Other, net	—	—	135	—
Change in unrestricted net assets	$ (7,349)	(8,905)	27,072	35,245

See accompanying independent auditors' report.

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
135,574	116,041	18,656	1,113,002	(258)	1,112,744
2,069	2,633	150	15,395	(1,044)	14,351
141	858	—	1,552	—	1,552
137,784	119,532	18,806	1,129,949	(1,302)	1,128,647
49,041	47,074	18,204	463,409	—	463,409
21,783	15,371	1,267	163,514	(258)	163,256
30,479	28,002	6,087	232,269	—	232,269
3,385	1,679	83	22,036	—	22,036
5,286	3,267	314	50,150	—	50,150
4,058	2,718	—	32,302	—	32,302
14,181	15,216	1,305	113,878	—	113,878
—	—	—	373	—	373
7,152	6,153	3,845	60,571	(1,044)	59,527
135,365	119,480	31,105	1,138,502	(1,302)	1,137,200
2,419	52	(12,299)	(8,553)	—	(8,553)
—	—	699	737	—	737
2,419	52	(12,998)	(9,290)	—	(9,290)
123	59	2	1,706	—	1,706
(369)	(450)	—	(2,496)	—	(2,496)
(239)	15	—	(3,414)	—	(3,414)
(485)	(376)	2	(4,204)	—	(4,204)
1,934	(324)	(12,996)	(13,494)	—	(13,494)
5,234	(6,170)	12,133	50,668	—	50,668
512	2,758	—	11,835	—	11,835
(42)	—	—	93	—	93
7,638	(3,736)	(863)	49,102	—	49,102

PROVENA HOSPITALS

Consolidating Statement of Changes in Net Assets Information

Year ended December 31, 2008

(In thousands)

		Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Unrestricted net assets:					
Revenue and gains in excess (deficient) of expenses and losses	$	(8,324)	(209)	(2,313)	8,738
Other changes in unrestricted net assets:					
Transfer (to)/from Affiliates		522	(9,413)	22,289	26,073
Net assets released from restriction used for the purchase of land, building, and equipment		453	717	6,961	434
Other, net		—	—	135	—
Change in unrestricted net assets		(7,349)	(8,905)	27,072	35,245
Temporarily restricted net assets:					
Restricted contributions		386	1,040	381	665
Change in net unrealized gains (losses)		—	—	—	—
Temporarily restricted investment income		(3)	3	—	—
Net assets released from restrictions used for the purchase of land, buildings, and equipment		(453)	(717)	(6,961)	(434)
Net assets released from restriction used for operations		(224)	(77)	(11)	(241)
Change in temporarily restricted net assets		(294)	249	(6,591)	(10)
Permanently restricted net assets:					
Restricted contributions		—	160	—	2
Net realized and unrealized gains (losses) on investments		13	—	—	—
Change in permanently restricted net assets		13	160	—	2
Change in net assets		(7,630)	(8,496)	20,481	35,237
Net assets at beginning of year		62,193	86,363	127,252	235,201
Net assets at end of year	$	54,563	77,867	147,733	270,438

See accompanying independent auditors' report.

Schedule 15

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
1,934	(324)	(12,996)	(13,494)	—	(13,494)
5,234	(6,170)	12,133	50,668	—	50,668
512	2,758	—	11,835	—	11,835
(42)	—	—	93	—	93
7,638	(3,736)	(863)	49,102	—	49,102
882	3,140	—	6,494	—	6,494
(182)	—	—	(182)	—	(182)
49	—	—	49	—	49
(512)	(2,758)	—	(11,835)	—	(11,835)
(141)	(858)	—	(1,552)	—	(1,552)
96	(476)	—	(7,026)	—	(7,026)
—	6	—	168	—	168
—	—	—	13	—	13
—	6	—	181	—	181
7,734	(4,206)	(863)	42,257	—	42,257
57,225	38,484	(46)	606,672	—	606,672
64,959	34,278	(909)	648,929	—	648,929

ATTACHMENT 39

PROVENA HOSPITALS

Consolidating Statement of Cash Flows Information

Year ended December 31, 2008

(In thousands)

		Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital
Cash flows from operating activities:				
Change in net assets	$	(7,631)	(8,496)	20,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization		5,853	9,705	9,037
Provision for uncollectible accounts		16,256	21,238	12,862
Loss on sale of capital assets		64	109	—
Gains from equity interest of unconsolidated affiliates		—	(932)	—
Impairments		—	38	—
Change in net unrealized gains and losses on investment securities		1,379	(17)	24
Permanently restricted contributions		—	(160)	—
Changes in assets and liabilities:				
Patient and resident accounts receivable		(21,664)	(20,201)	(18,594)
Estimated settlements under third-party reimbursement programs, net		2,648	4,699	675
Inventories		26	(129)	(30)
Prepaid expenses and other assets		5,034	(173)	401
Accounts payable and accrued expenses		424	610	(695)
Other current liabilities		327	1,561	1,713
Other long-term liabilities		210	1,040	(182)
Net cash provided by (used in) operating activities		2,926	8,892	25,691
Cash flows from investing activities:				
Acquisition of land, buildings, and equipment, net		(4,024)	(4,470)	(36,814)
Net proceeds from sale of capital assets		5	—	—
Net change in assets limited or restricted as to use		57	(742)	6,082
Net change in short-term investments		—	—	—
Change in other long-term assets		(653)	(608)	54
Net cash used in investing activities		(4,615)	(5,820)	(30,678)
Cash flows from financing activities:				
Repayment of obligations under capital leases		(771)	(184)	(509)
Permanently restricted contributions		—	160	—
Net cash used in financing activities		(771)	(24)	(509)
Net change in cash and cash equivalents		(2,460)	3,048	(5,496)
Cash and cash equivalents at beginning of year		5,653	2,974	2,581
Cash and cash equivalents at end of year	$	3,193	6,022	(2,915)
Supplemental disclosure of noncash transactions:				
Assets acquired under capital leases	$	—	—	—

See accompanying independent auditors' report.

Provena Saint Joseph Medical Center	Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
35,237	7,734	(4,205)	(863)	42,256	—	42,256
16,688	5,286	3,267	314	50,150	—	50,150
32,819	14,181	15,216	1,306	113,878	—	113,878
449	—	(14)	—	608	—	608
117	(71)	—	(89)	(975)	—	(975)
—	—	—	699	737	—	737
290	553	450	—	2,679	—	2,679
(2)	—	(6)	—	(168)	—	(168)
(34,298)	(22,789)	(16,385)	(1,208)	(135,139)	—	(135,139)
6,368	(3,788)	750	—	11,352	—	11,352
196	148	325	—	536	—	536
(63)	(52)	(207)	120	5,060	—	5,060
(4,653)	192	(1,966)	(333)	(6,421)	—	(6,421)
(3,250)	3,456	176	1,087	5,070	—	5,070
(861)	229	(363)	(41)	32	—	32
49,037	5,079	(2,962)	992	89,655	—	89,655
(48,648)	(3,998)	(2,535)	(1,396)	(101,885)	—	(101,885)
1,721	—	—	—	1,726	—	1,726
(300)	(648)	(217)	—	4,232	—	4,232
1,066	—	—	—	1,066	—	1,066
939	(367)	48	160	(427)	—	(427)
(45,222)	(5,013)	(2,704)	(1,236)	(95,288)	—	(95,288)
(585)	(259)	(178)	—	(2,486)	—	(2,486)
2	—	6	—	168	—	168
(583)	(259)	(172)	—	(2,318)	—	(2,318)
3,232	(193)	(5,838)	(244)	(7,951)	—	(7,951)
10,769	5,147	—	—	27,124	—	27,124
14,001	4,954	(5,838)	(244)	19,173	—	19,173
—	578	—	—	578	—	578