PROVENA HEALTH AND AFFILIATES

Consolidated Financial Statements and Supplementary Information

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

PROVENA HEALTH AND AFFILIATES

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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, 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 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 and Affiliates as of December 31, 2010 and 2009, 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 8 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

May 9, 2011

PROVENA HEALTH AND AFFILIATES

Consolidated Balance Sheets

December 31, 2010 and 2009

(In thousands)

Assets		2010	2009
Current assets:			
Cash and cash equivalents	$	112,999	84,169
Short-term investments		1,636	1,398
Assets limited or restricted as to use, required for current liabilities		22,640	10,650
Receivables:			
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately $117,595 in 2010 and $117,767 in 2009		169,840	178,348
Estimated receivables under third-party reimbursement programs		4,381	7,955
Inventories		23,838	21,774
Prepaid expenses and other		48,123	31,272
Total current assets		383,457	335,566
Assets limited or restricted as to use, net of current portion		391,136	410,007
Land, buildings, and equipment, net		679,755	687,911
Other		32,665	29,632
Total assets	$	1,487,013	1,463,116
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	10,525	11,690
Current portion of obligations under capital leases		3,869	3,251
Current portion of estimated self-insurance liabilities		12,305	10,801
Accounts payable and accrued expenses		126,404	145,959
Estimated payables under third-party reimbursement programs		84,644	102,939
Medicaid deferred revenue		26,732	—
Derivatives and other		36,788	23,188
Total current liabilities		301,267	297,828
Long-term debt, net of current installments		612,017	619,092
Obligations under capital leases, net of current portion		6,991	4,502
Estimated self-insurance liabilities, net of current portion		86,480	79,066
Pension benefit liability		91,499	72,877
Derivatives and other long-term liabilities		16,149	44,575
Total liabilities		1,114,403	1,117,940
Net assets:			
Unrestricted		362,756	336,245
Temporarily restricted		8,200	7,383
Permanently restricted		1,654	1,548
Total net assets		372,610	345,176
Total liabilities and net assets	$	1,487,013	1,463,116

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Operations

Years ended December 31, 2010 and 2009

(In thousands)

	2010	2009
Revenue:		
Net patient and resident service revenue	$ 1,221,429	1,267,993
Other revenues	19,780	23,508
Net assets released from restriction used for operations	1,164	1,069
Total revenue	1,242,373	1,292,570
Expenses:		
Salaries and benefits	581,726	584,665
Supplies and drugs	170,125	171,267
Purchased services	157,123	161,870
Interest	35,608	31,503
Depreciation and amortization	70,359	70,721
Provider tax assessment	34,355	34,355
Provision for uncollectible accounts	110,521	131,614
Restructuring charges	1,033	31,856
Other	72,982	80,927
Total expenses	1,233,832	1,298,778
Income (loss) from operations before impairments	8,541	(6,208)
Impairments	1,652	1,357
Income (loss) from operations	6,889	(7,565)
Nonoperating gains (losses):		
Investment income – realized	12,570	2,839
Investment income – unrealized	19,353	30,348
Derivatives valuation adjustment	(6,792)	20,784
Other, net	8,448	(5,084)
Net nonoperating gains	33,579	48,887
Revenue and gains in excess of expenses and losses	40,468	41,322
Other changes in unrestricted net assets:		
Expense reclassification for dedesignated hedges	95	258
Change in funded status of pension plan	(15,172)	11,457
Net assets released from restriction used for the purchase of land, buildings, and equipment	1,129	3,847
Other, net	(9)	287
Change in unrestricted net assets	$ 26,511	57,171

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2010 and 2009

(In thousands)

	2010	2009
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	$ 40,468	41,322
Other changes in unrestricted net assets:		
Expense reclassification for dedesignated hedges	95	258
Change in funded status of pension plan	(15,172)	11,457
Net assets released from restriction used for the purchase of land, buildings, and equipment	1,129	3,847
Other, net	(9)	287
Change in unrestricted net assets	26,511	57,171
Temporarily restricted net assets:		
Restricted contributions	3,010	2,976
Change in net unrealized gains	41	80
Temporarily restricted investment income	59	84
Net assets released from restrictions used for the purchase of land, buildings, and equipment	(1,129)	(3,847)
Net assets released from restriction used for operations	(1,164)	(1,069)
Change in temporarily restricted net assets	817	(1,776)
Permanently restricted net assets:		
Restricted contributions	96	519
Net realized and unrealized gains (losses) on investments	10	(7)
Change in permanently restricted net assets	106	512
Change in net assets	27,434	55,907
Net assets at beginning of year	345,176	289,269
Net assets at end of year	$ 372,610	345,176

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009

(In thousands)

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	27,434	55,907
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		70,359	70,721
Provision for uncollectible accounts		110,521	131,614
Net loss on disposal of capital assets		246	62
Change in fair value of derivative instruments		6,792	(20,784)
Change in funded status of pension plan		15,172	(11,457)
Gains from equity interest of unconsolidated affiliates		(304)	(1,063)
Cash distributions received from unconsolidated affiliates		1,195	1,097
Net gain on redemption of long-term debt		(10,030)	—
Impairments		1,652	1,357
Change in net unrealized gains and losses on investment securities		(19,394)	(30,428)
Permanently restricted contributions		(96)	(519)
Changes in assets and liabilities:			
Patient and resident accounts receivable		(102,013)	(117,432)
Estimated settlements under third-party reimbursement programs, net		(14,721)	14,476
Inventories		(2,064)	(1,106)
Prepaid expenses and other assets		(16,851)	467
Accounts payable and accrued expenses		(19,555)	23,788
Estimated self-insurance liabilities		8,918	846
Medicaid deferred revenue		26,732	—
Other current liabilities		17,461	4,792
Other long-term liabilities		(29,279)	9,045
Net cash provided by operating activities		72,175	131,383
Cash flows from investing activities:			
Acquisition of land, buildings, and equipment, net		(62,704)	(49,239)
Net proceeds from sale of capital assets		694	3
Purchases of investment securities		(99,608)	(102,993)
Sales or maturities of investment securities		125,645	34,798
Change in other long-term assets		(3,242)	3,353
Net cash used in investing activities		(39,215)	(114,078)
Cash flows from financing activities:			
Repayment of obligations under capital leases		(3,252)	(3,085)
Repayment of long-term debt		(196,400)	(302,015)
Issuance of long-term debt		198,000	310,588
Payment of bond issue costs		(2,574)	(5,760)
Permanently restricted contributions		96	519
Net cash provided by (used in) financing activities		(4,130)	247
Net change in cash and cash equivalents		28,830	17,552
Cash and cash equivalents at beginning of year		84,169	66,617
Cash and cash equivalents at end of year	$	112,999	84,169
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	31,896	29,826
Supplemental disclosure of noncash transactions:			
Assets acquired under capital leases	$	6,359	4,536

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 healthcare system called Provena Health in order to assure the provision of ongoing quality healthcare services to the communities served by the Sponsors.

Provena Health 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 healthcare operations of the Sponsors. Provena provides healthcare 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 thirty health centers. Provena Hospitals' wholly owned subsidiary, Provena Services Corporation (PSC), is an Illinois for-profit, taxable corporation formed to manage Provena Hospitals' physician practices.

Provena Senior Services is a not-for-profit organization, which owns and operates eleven nursing homes, four independent living facilities, four assisted living facilities, two adult daycare centers, two community service facilities, one child care center, 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 and two hospice agencies in northern and central Illinois.

In May 2010, Provena Senior Services, Provena Home Health, and Provena Care @ Home, were aligned under a new ministry operating under the name of Provena Life Connections, which is controlled by Provena Health.

Ventures is a for-profit corporation, which operates various for-profit enterprises, consisting primarily of Provena Properties as of December 31, 2010 and 2009, 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 of expenses and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess 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.
- 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).

In conjunction with the adoption of ASC Topic 820, Provena adopted the measurement provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in private funds that do not have readily determinable fair values. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements. Provena implemented ASU 2010-06 for the year ended December 31, 2010.

- Provena has adopted the 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 of expenses and losses in the accompanying consolidated statements of operations unless the income or loss is restricted by donor or law.
- 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 or through the dates the corresponding interest rate swaps were terminated, at which time the remaining balances are reclassified.

- 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 in 2009. No interest cost was capitalized in 2010.
- 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 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.
- Included in other assets at December 31, 2010 and 2009 is goodwill of $855 and $833, respectively. Goodwill, which represents the excess of purchase price over identified net assets acquired, principally relates to the acquisition of a surgery center. Effective January 1, 2010, Provena implemented ASC 958-805, *Not-For-Profit Entities: Business Combinations*, which discontinues the amortization of goodwill. Under ASC 958-805, goodwill is to be reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Provena performed its annual goodwill impairment test as of December 31, 2010 and impaired $833 of previously recognized goodwill, which is reported within impairments in the accompanying 2010 consolidated statement of operations.

- 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 in other revenues in the accompanying consolidated statements of operations.
- 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 self-insured 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 2010 and 2009, 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 $1,033 and $31,856, comprised

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primarily of consulting fees and severance compensation, are reported as restructuring charges in the accompanying 2010 and 2009 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, 2010 and 2009 are primarily the result of net operating loss carryforwards (approximately $6,439 and $6,221 at December 31, 2010 and 2009, respectively, which expire at various future dates through 2030).

  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, 2010 and 2009 are primarily the result of net operating loss carryforwards (approximately $99,647 and $85,774 at December 31, 2010 and 2009, respectively, which expire at various future dates through 2030).

  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, 2010 and 2009 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

- On January 1, 2008, Provena adopted ASC Subtopic 740-10, *Income Taxes – Overall*, 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

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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, 2010, Provena does not have any liabilities 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. During 2010 and 2009, Provena impaired $819 and $1,357, respectively, of long-lived assets, which are reported within impairments in the accompanying consolidated statements of operations.
- Certain 2009 amounts have been reclassified to conform to the 2010 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 is as 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, 2010, 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. Provena Hospitals also receive 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.

In 2008, the State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). Provena has included its related annual assessment of $34,355 as provider tax assessment expense in the accompanying 2010 and 2009 consolidated statements of operations. In 2010, the State accelerated the program's payment schedule, which required assessment payments for the State's fiscal year ending June 30, 2011 to be paid by October 2010. Provena has included prepaid assessments of $17,178 for the period from January 1, 2011 through June 30, 2011 within prepaid expenses and other in the accompanying 2010 consolidated balance sheet. Provena had no prepaid or unpaid assessments as of December 31, 2009.

The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas approved by CMS. Provena has included its additional related reimbursement of $56,729 and $53,464 within net patient service revenue in the accompanying 2010 and 2009 consolidated statements of operations, respectively, of which $3,265 related to a one-time incremental Medicaid stimulus payment to Provena for the year ended December 31, 2010. The State advanced Provena $26,732 as of December 31, 2010 related to additional Medicaid reimbursement covering the period January 1, 2011 to June 30, 2011. Provena has deferred this additional Medicaid reimbursement and reported such amounts as Medicaid deferred revenue in the accompanying 2010 consolidated balance sheet. Provena had no deferred revenue relating to the Medicaid assessment program as of December 31, 2009.

Blue Cross – Provena also participates as a provider of healthcare 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, 2010, the Blue Cross cost settlements for 2010 are subject to audit and retroactive adjustment.

Managed Care – Provena also participates as a provider of healthcare 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, 2010 and 2009, the consolidated statements of operations include $(1,201) and $2,539, respectively, of net (unfavorably) favorably determined retroactive settlements and changes in prior estimates for third-party settlements and allowances.

(Dollars in thousands)

A summary of gross and net patient and resident service revenue for the years ended December 31, 2010 and 2009 is as follows:

		2010	2009
Gross patient and resident service revenue	$	4,590,514	4,512,631
Plus Medicaid provider tax revenue		56,729	53,464
Less provisions for:			
Contractual adjustments under third-party reimbursement programs, including managed care and other		(3,425,814)	(3,298,102)
Net patient and resident service revenue	$	1,221,429	1,267,993

(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, 2010 and 2009 is as follows:

	2010	2009
Medicare	23%	23%
Medicaid	20	21
Managed care/contract payors	33	30
Other	24	26
	100%	100%

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

	2010	2009
Medicare	45%	44%
Medicaid	15	14
Managed care/contract payors	29	31
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

(Continued)

(Dollars in thousands)

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.

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:

		2010	2009
Ministry for the poor and the underserved:			
Unpaid cost of Medicaid and other public programs	$	71,859	61,511
Less net impact of Medicaid provider tax assessment program, including 2010 stimulus payment (note 3)		(22,374)	(19,109)
Net unpaid cost of Medicaid and other public programs		49,485	42,402
Charity care at cost		35,046	28,893
Community and subsidized health services		4,396	4,659
Health professions education		4,912	3,931
Financial/in-kind contributions		834	632
Other community benefits		1,949	269
Community benefit ministry	$	96,622	80,786
Unpaid cost of Medicare	$	65,107	52,244
Uninsured discount at cost		4,608	5,291
Provision for bad debt at cost		24,808	29,425

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 at cost represents the cost of services provided to patients who cannot afford healthcare 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.

(Dollars in thousands)

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 healthcare providers, social service agencies, and organizations.

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, 2010 and 2009 is as follows:

		2010	2009
Cash and cash equivalents	$	46,850	59,477
Corporate debt securities		80,030	76,942
U.S. government and agency obligations		114,497	133,195
Foreign government obligations		518	242
Equity securities		64,660	52,919
Equity funds		106,627	96,864
Pledges receivable		2,030	2,216
Land		200	200
	$	415,412	422,055

(Dollars in thousands)

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

	2010	2009
Short-term investments	$ 1,636	1,398
Assets limited or restricted as to use, required for current liabilities	22,640	10,650
Assets limited or restricted as to use, net of current portion	391,136	410,007
	$ 415,412	422,055

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

	2010	2009
Investments in centralized investment programs	$ 299,123	293,461
Other Board-designated investments	4,450	5,253
Total unrestricted investments	303,573	298,714
Self-insurance trust	58,145	59,285
Debt service reserve funds held by Bond Trustee	19,459	19,465
Collateral held by derivative counterparties	—	23,507
Restricted by donors	9,854	8,931
Other	105	105
	$ 391,136	410,007

The composition of investment return for 2010 and 2009 is as follows:

	2010	2009
Interest and dividend income, net of interest expense allocation	$ 12,459	8,642
Change in net unrealized gains and losses on securities	19,394	30,428
Net realized gains (losses) on sale of investments	180	(5,726)
Total investment return	$ 32,033	33,344

Interest and dividend income reflected above has been reduced by $4,192 and $5,478 of interest expense incurred on long-term debt in 2010 and 2009, 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, 2010 and 2009 as follows:

		2010	2009
Nonoperating gains:			
Investment income – realized	$	12,570	2,839
Investment income – unrealized		19,353	30,348
Temporarily restricted net assets:			
Investment income		59	84
Change in net unrealized gains		41	80
Permanently restricted net assets:			
Net realized and unrealized gains (losses) on investments		10	(7)
Total investment return	$	32,033	33,344

(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. Private funds that do not have readily determinable fair values are measured using net asset value per share at the reporting date multiplied by the number of shares held. Corporate bonds, notes, indirect U.S. government obligations, U.S. agency obligations, and foreign government obligations 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.

(Dollars in thousands)

- *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.

The following table presents the carrying amounts and estimated fair values of Provena's financial instruments not carried at fair value at December 31, 2010 and 2009:

	2010		2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt	$ 622,542	641,857	630,782	635,786
Capital leases	10,860	9,962	7,753	7,051

(b) Fair Value Hierarchy

Provena adopted ASC Topic 820 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 value 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, 2010:

		Total fair value	Fair value measurements at December 31, 2010 using Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$	112,999	112,999	—	—
Assets limited as to use and short-term investments, excluding pledges receivable and land totaling $2,230:					
Cash and cash equivalents		46,850	46,850	—	—
Corporate debt securities		80,030	—	80,030	—
U.S. government and agency obligations		114,497	44,338	70,159	—
Foreign government obligations		518	—	518	—
Equity securities		64,660	64,660	—	—
Equity funds		106,627	106,627	—	—
Total	$	526,181	375,474	150,707	—
Liabilities:					
Current liabilities:					
Derivatives and other:					
Interest rate derivatives	$	17,345	—	17,345	—

Provena's accounting policy is to recognize transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended December 31, 2010.

(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	$ 84,169	84,169	—	—
Assets limited as to use and short-term investments, excluding pledges receivable and land totaling $2,416:				
Cash and cash equivalents	59,477	59,477	—	—
Corporate debt securities	76,942	—	76,942	—
U.S. government and agency obligations	133,195	44,240	88,955	—
Foreign government obligations	242	—	242	—
Equity securities	52,919	52,919	—	—
Equity funds	96,864	96,864	—	—
Total	$ 503,808	337,669	166,139	—
Liabilities:				
Derivatives and other long-term liabilities:				
Interest rate derivatives	$ 29,214	—	29,214	—

(8) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at December 31, 2010 and 2009 is as follows:

	2010	2009
Land	$ 32,941	33,344
Land improvements	23,238	22,704
Buildings and leasehold improvements	861,262	849,627
Equipment and furnishings	640,091	617,838
	1,557,532	1,523,513
Less accumulated depreciation and amortization for capital leases	898,580	842,657
	658,952	680,856
Construction in progress	20,803	7,055
Land, buildings, and equipment, net	$ 679,755	687,911

(Continued)

(Dollars in thousands)

At December 31, 2010, construction in progress related primarily to construction projects at Provena Mercy Medical Center and Provena Covenant Medical Center, as well as various information systems projects throughout the organization. Provena has outstanding contractual commitments of $34,981 as of December 31, 2010 relating to these projects.

(9) Capital Leases

Provena leases certain equipment under capital leases. Included with equipment and furnishings is $18,292 and $16,172 of assets held under capital leases and $7,177 and $8,435 of related accumulated amortization at December 31, 2010 and 2009, 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, 2010 are as follows:

Year:		
2011	$	4,274
2012		2,940
2013		2,033
2014		1,120
2015		793
Total future minimum lease payments		11,160
Less amount representing interest at rates from 1.70% to 10.25%		300
Present value of future minimum lease payments		10,860
Less current portion of obligations under capital leases		3,869
Obligations under capital leases, excluding current portion	$	6,991

(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 all investments in affiliated companies amounted to approximately $5,650 and $6,291 at December 31, 2010 and 2009, respectively, and is included as a component of other noncurrent assets in the accompanying consolidated balance sheets. For the years ended December 31, 2010 and 2009, Provena recognized equity income of $304 and $1,063 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 Health Care 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 had a 33.3% interest in APHL, Inc. at both December 31, 2010 and 2009, and an equity investment of $50 and $250 at

(Dollars in thousands)

December 31, 2010 and 2009, respectively. Provena recognized no equity income or loss on APHL, Inc. in 2010 or 2009. APHL, Inc. made a return of capital of $200 to Provena in 2010.

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 $4,022 and $3,963 at December 31, 2010 and 2009, respectively. Provena recognized equity losses on ACL, LLC of $391 in 2010 and $212 in 2009. Provena made equity cash contributions of $450 to ACL, LLC in 2010.

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, 2010 and 2009, Provena recognized equity income of $695 and $1,275 from investments in these affiliated companies, respectively. Provena received cash distributions from these equity method investees of $1,195 and $1,097 in 2010 or 2009, respectively.

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

		2010	2009
Total assets	$	35,146	39,083
Total liabilities		17,662	21,316
Total equity	$	17,484	17,767
Net revenues	$	196,759	163,140
Operating expenses		195,173	159,803
Net income	$	1,586	3,337

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 $33,068 in 2010 and $31,581 in 2009 and is included in purchased services.

(Dollars in thousands)

(11) Long-Term Debt

A summary of long-term debt at December 31, 2010 and 2009 is as follows:

		2010	2009
Illinois Development Finance Authority Revenue Bonds, Series 1998A, dated April 15, 1998, with fixed interest rates ranging from 4.50% to 5.75%, due May 15 annually in varying amounts through May 15, 2023	$	115,780	122,285
Illinois Development 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 each 35-day auction period (0.56% at December 31, 2009), due every 35 days through May 1, 2028, redeemed September 2010		—	70,600
Illinois Development Finance Authority Periodic Auction Reset Securities, Series 1998D, dated May 14, 1998, interest rate changes daily (0.16% at December 31, 2009), due annually in varying amounts on May 1 beginning 2009 through May 1, 2028, redeemed February 2010		—	17,200
Illinois Development Finance Authority Periodic Auction Reset Securities, Series 1998D-R, dated January 2, 2001, interest rate changes daily (0.156% at December 31, 2009), due annually in varying amounts on May 1 beginning 2009 through May 1, 2028, redeemed February 2010		—	108,800
Illinois Finance Authority Revenue Bonds, Series 2009A, dated June 25, 2009, with fixed interest rate of 7.75%, due annually in varying amounts beginning August 15, 2026 through August 15, 2034		200,000	200,000
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009B, dated July 9, 2009, interest rate changes daily (0.26% and 0.20% at December 31, 2010 and 2009, respectively), due annually in varying amounts beginning August 15, 2016 through August 15, 2044		50,000	50,000
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009C, dated July 9, 2009, interest rate changes daily (0.30% and 0.27% at December 31, 2010 and 2009, respectively), due annually in varying amounts beginning August 15, 2016 through August 15, 2044		41,000	41,000

(Continued)

(Dollars in thousands)

		2010	2009
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009D, dated July 9, 2009, interest rate changes weekly (0.30% and 0.27% at December 31, 2010 and 2009, respectively), due annually in varying amounts beginning August 15, 2016 through August 15, 2044	$	25,000	25,000
Illinois Finance Authority Revenue Bonds, Series 2010A, dated February 11, 2010, with fixed interest rates ranging from 5.0% to 6.0%, due annually in varying amounts beginning May 1, 2010 through May 1, 2028		111,930	—
Illinois Finance Authority Revenue Bonds, Series 2010B, dated February 11, 2010, with fixed interest rate of 6.0%, due annually in varying amounts beginning May 1, 2029 through May 1, 2034		10,020	—
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010C, dated September 15, 2010, interest rate changes daily (0.26% at December 31, 2010), due annually in varying amounts beginning May 1, 2036 through May 1, 2045		31,000	—
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010D, dated September 15, 2010, interest rate changes weekly (0.28% at December 31, 2010) due annually in varying amounts beginning May 1, 2036 through May 1, 2045		41,000	—
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		1,150	1,201
Total long-term debt		626,880	636,086
Less current installments of long-term debt		10,525	11,690
Less unamortized bond discount		4,338	5,304
Total long-term debt, net of current installments and unamortized bond discount	$	612,017	619,092

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 1998A bonds is insured by financial guaranty insurance policies issued by MBIA Insurance Corporation (MBIA (now known as National Public Finance Guarantee Corporation)). The Series 1998A bonds are secured by obligations issued under the MTI.

In 2005, Provena Health amended its MTI to add Provena Hospitals (including six acute care hospital operating divisions) as a Member of the Obligated Group. In 2009, Provena Health amended and restated 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 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 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.

(Continued)

The previously outstanding 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 liquidity facility agreements. These obligations were fully defeased in 2009 with proceeds from the issuance of the Series 2009 bonds. On June 25, 2009, Provena Health issued $200,000 of Illinois Finance Authority Revenue Bonds, Series 2009A and on July 9, 2009, Provena Health issued $116,000 of Illinois Finance Authority Variable Rate Demand Bonds, Series 2009B-D, all secured by obligations issued under the MTI. The proceeds of the sale of the Series 2009B-D bonds were primarily used to 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. 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 September 21, 2013. 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 8 equal quarterly installments of principal plus interest at the higher of the prime rate, or the adjusted one-month LIBOR rate plus 1% to 2% depending on the date of maturity, with the initial installment commencing 12 months after the date of the drawing under the DPLOC.

On February 11, 2010, Provena issued $126,000 of Illinois Finance Authority Revenue Bonds, Series 2010A and 2010B, both of which are obligations under the MTI. The proceeds of the offering were used primarily to purchase approximately $126,000 of par value Series 1998D and Series 1998D-R Periodic Auction Reset Securities at 88% of par value and to reimburse Provena Health, Provena Hospitals, and Provena Senior Services for the costs of acquiring, constructing, renovating, remodeling, and equipping the bond financed property. 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 was recognized in connection with the bond redemption and termination of the Series 1998D-R interest rate swap agreement, which is included with other nonoperating gains (losses) in the accompanying 2010 consolidated statement of operations.

On September 22, 2010, Provena issued $72,000 of Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010C and 2010D, both of which are obligations secured under the MTI. The proceeds of the offerings were used primarily to pay or reimburse Provena for costs of acquiring, constructing, renovating, remodeling, and equipping the bond financed property. The 2010C and 2010D 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 DPLOC that currently expires on September 21, 2013. 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 8 equal quarterly installments of principal plus interest at the higher of the prime rate, or the adjusted one-month LIBOR rate plus 1% to 2% depending on the date of maturity, with the initial installment commencing 12 months after the date of the drawing under the DPLOC.

(Dollars in thousands)

Aggregate scheduled principal repayments on long-term debt, assuming the Series 2009B-D and the Series 2010C-D variable rate demand obligations being put back to the Obligated Group on May 9, 2011, the date the consolidated financial statements were available to be issued, and a corresponding draw being made on the underlying DPLOC credit facility, for the ensuing five years and thereafter are as follows:

2011	$	10,525
2012		81,636
2013		105,742
2014		35,913
2015		13,135
Thereafter		379,929
	$	626,880

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:

2011	$	10,525
2012		11,136
2013		11,742
2014		12,413
2015		13,135
Thereafter		567,929
	$	626,880

Guaranty

Provena was a co-guarantor on certain loans approximating $2,700 at December 31, 2009 related to a fitness center joint venture. Provena was 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 gains (losses) in the accompanying 2009 consolidated statement of operations.

In 2010, 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 have 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.

On February 11, 2010, Provena redeemed approximately $126,000 par value of auction rate securities (Series 1998D and Series 1998D-R) using a portion of the proceeds from the issuance of Series 2010A-B revenue bonds. Additionally, on September 22, 2010, Provena repaid approximately $70,600 par value of auction rate securities (Series 1998B), thus eliminating all exposure to the auction rate securities market fluctuations. From February 2008 and through the redemption of the Series 1998B, 1998D, and 1998D-R auction rate securities in 2010, Provena had been paying interest on its auction rate securities at the maximum rate as set forth in the applicable bond documents. The maximum rate applicable to Provena's Series 1998B Bonds was 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 was 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 2010 and 2009 were 0.60% and 0.56% for the Series 1998B Bonds, respectively, and 0.05% and 0.16% for the Series 1998D Bonds, respectively, and 0.05% and 0.16% for the Series 1998D-R Bonds, respectively.

(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 maintained interest rate swap programs on its Series 1998B and Series 1998D-R debt. The Series 1998B and Series 1998D-R bonds exposed Provena to variability in interest payments due to changes in interest rates. In the interest of limiting the variability of a portion of its interest rate risk, management entered into two interest rate swap agreements to manage fluctuations in cash flows related to this risk. Under the terms of these swap agreements, Provena received variable interest rate payments and made fixed interest rate payments, thereby reducing the variability of cash flows from changes in interest rates.

(Dollars in thousands)

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 $(6,792) and $20,784 in nonoperating (losses) gains for the years ended December 31, 2010 and 2009, respectively, attributable to the changes in the fair value of its derivatives.

In February of 2010, Provena issued the Series 2010A and 2010B bonds, at which time the Series 1998D-R bonds were repaid. At that time, Provena also terminated the interest rate swap agreement associated with the Series 1998D-R. In connection with the swap termination, Provena was required to pay the counterparty a settlement payment of $18,662.

A summary of outstanding positions under interest rate swap agreements at December 31, 2010 is as follows:

Series	Notional amount	Maturity date	Rate received	Fixed rate paid
1998B	$ 62,573	May 2028	65% of one-month LIBOR, plus 36 basis points	3.925%
1998A	119,900	May 2023	68% of one-month LIBOR	0.034

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 $5,895 in 2010 and $10,207 in 2009, 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 for 2010 and 2009 includes $95 and $258, respectively, of amounts reclassified from unrestricted net assets related to the effective portion of prior year hedges charged to unrestricted net assets. The 2010 amount reclassified includes $171 of income recognized when the Series 1998D-R was terminated. The fair value of interest rate swap agreements of $17,345 and $29,214 at December 31, 2010 and 2009, respectively, are included with other current liabilities in 2010 and with other long-term liabilities in 2009.

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 $9,807 and $23,507 of collateral related to its swaps as of December 31, 2010 and 2009, respectively. The collateral posted as of December 31, 2010 is included in the current portion of assets limited or restricted as to use.

(Dollars in thousands)

In February 2011, Provena terminated the interest rate swap agreements associated with the Series 1998A and 1998B bonds. In connection with the termination of these two agreements, Provena was required to pay the counterparties settlement payments of $8,328 and $6,091 to settle the Series 1998A and Series 1998B interest rate swaps, respectively. Upon termination of these agreements, Provena no longer has any interest rate swap agreements in effect.

(14) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

		2010	2009
Land, building, and equipment acquisitions	$	5,810	5,349
Provision of health and pastoral care		2,390	2,034
	$	8,200	7,383

(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 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, 2010 and 2009.

The Funds are maintained within Provena's commingled investment portfolio. The principal allocated to such Funds is approximately $1,654 and $1,548 at December 31, 2010 and 2009, 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, 2010 and 2009.

(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, 2010. It is the opinion of management that the estimated professional and general liabilities accrued at December 31, 2010 and 2009 are adequate to provide for potential losses resulting from pending or threatened litigation. Accruals for professional and general liabilities are recorded on an undiscounted basis. 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.

Professional and general liability expense amounted to $23,263 and $22,577 for the years ended December 31, 2010 and 2009, 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 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 $7,300 and $5,368 for the years ended December 31, 2010 and 2009, 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 on an undiscounted basis.

(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 $18,149 and $17,886 for the years ended December 31, 2010 and 2009, 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 95% of plan participants are inactive). Prior service costs established January 1, 2002 are being amortized over 10.8 years.

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:

		2010	2009
Change in benefit obligation:			
Projected benefit obligation at beginning of year	$	408,082	380,370
Service cost		2,381	2,647
Interest cost		23,064	23,311
Actuarial (gains) losses		30,663	20,583
Benefits paid		(19,088)	(18,829)
Projected benefit obligation at end of year		445,102	408,082
Change in plan assets:			
Fair value of plan assets at beginning of year		335,205	303,162
Actual return on plan assets		37,446	50,872
Employer contribution		40	—
Benefits paid		(19,088)	(18,829)
Fair value of plan assets at end of year		353,603	335,205
Funded status	$	(91,499)	(72,877)
Amounts recognized in the accompanying consolidated balance sheets:			
Pension benefit liability	$	(91,499)	(72,877)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:			
Unrecognized net actuarial losses	$	207,696	192,522
Unrecognized prior service cost		4	6
Net amounts included as an accumulated charge to unrestricted net assets	$	207,700	192,528

(Dollars in thousands)

		2010	2009
Calculation of change in unrestricted net assets:			
Accumulated unrestricted net assets, end of year	$	207,700	192,528
Reversal of accumulated unrestricted net assets, prior year		(192,528)	(203,985)
Change in unrestricted net assets	$	15,172	(11,457)
Changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Actuarial loss (gain) arising during the year	$	20,893	(5,285)
Amortization of actuarial (loss) gain		(5,719)	(6,263)
Amortization of prior service cost		(2)	91
Net amounts recognized in unrestricted net assets as change in funded status of pension plan	$	15,172	(11,457)
Estimate of amounts that will be amortized from unrestricted net assets to net pension cost in 2011:			
Net actuarial loss	$	6,301	—
Prior service cost		2	—
Estimated future benefit payments:			
Fiscal 2011	$	20,680	—
Fiscal 2012		22,326	—
Fiscal 2013		24,138	—
Fiscal 2014		25,599	—
Fiscal 2015		27,175	—
Fiscal 2016 – 2020		153,547	—
Weighted average assumptions used to determine benefit obligations:			
Discount rate – benefit obligations		5.25%	5.80%
Discount rate – periodic benefit cost		5.80	6.22
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	$	2,381	2,647
Interest cost		23,064	23,311
Expected return on plan assets		(27,676)	(25,005)
Amortization of unrecognized net actuarial loss		5,719	6,263
Amortization of unrecognized prior service cost		2	(91)
Net periodic benefit cost	$	3,490	7,125

(Continued)

(Dollars in thousands)

Provena's overall expected long-term rate of return on assets is 8.5% in 2010 and 2009, 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 2011.

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, 2010 and 2009:

Asset	Target allocation	Acceptable range	December 31 2010	December 31 2009
Equities	60%	55 – 65%	63%	59%
Fixed income securities and cash equivalents	40	35 – 45	37	41
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. Private funds that do not have readily determinable fair values are measured using net asset value per share at the reporting date multiplied by the number of shares held. Corporate bonds, notes, indirect U.S. government obligations, U.S. agency securities, and foreign government obligations 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, 2010:

	Total fair value	Fair value measurements at December 31 using		
		Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 717	717	—	—
Corporate debt securities	40,977	—	40,977	—
U.S. government and agency obligations	85,915	25,153	60,762	—
Foreign government obligations	430	—	430	—
Equity securities	52,770	52,770	—	—
Equity funds	172,794	172,794	—	—
Total	$ 353,603	251,434	102,169	—

The Plan recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended December 31, 2010.

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	$ (640)	(640)	—	—
Corporate debt securities	40,009	—	40,009	—
U.S. government and agency obligations	97,042	23,850	73,192	—
Foreign government obligations	269	—	269	—
Equity securities	43,481	43,481	—	—
Equity funds	155,044	155,044	—	—
Total	$ 335,205	221,735	113,470	—

(Dollars in thousands)

(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 2010 and 2009 for all operating leases was approximately $16,448 and $16,157, 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, 2010 that have initial or remaining lease terms in excess of one year:

2011	$	11,872
2012		10,548
2013		9,751
2014		8,505
2015		6,732
Thereafter		27,127
	$	74,535

(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 of the years ended December 31, 2010 and 2009, approximately 45% and 44%, respectively, of Provena's gross patient and resident service revenue related to services provided to Medicare beneficiaries. Recently enacted healthcare 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.

Provena has received and responded to requests from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contracting (RAC) program. 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 liabilities related to RAC program claim reviews have been accrued as of December 31, 2010.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare 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.

(Continued)

(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 $9,113 within other expense for real estate taxes and interest covered by the ruling for all periods through December 31, 2009 in the accompanying 2009 consolidated statement of operations. For the 2010 tax year, Provena recognized $1,138 of real estate expense within the accompanying 2010 consolidated statement of operations.

For the 2004 tax year, Covenant has filed an application seeking an exemption for certain parcels of real estate that had not been included in the 2002 application, and for the 2006 tax year, Covenant has filed a new application seeking a property tax exemption for the parcels of real estate that were the basis for the 2002 application described in the preceding paragraph. In January 2011, a hearing for these matters was conducted before an administrative law judge, who is expected to make a recommendation to the Illinois Department of Revenue within the next few months. The Illinois Department of Revenue will issue a final decision at some point thereafter.

(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 recognizing property taxes on this property from 2004 and for all periods through December 31, 2010. Accrued property taxes on this property of $723 and $612 as of December 31, 2010 and 2009, respectively, are included in accounts payable and accrued expenses within the accompanying consolidated balance sheets. Provena appealed the ruling and a hearing was held before an administrative law judge in October 2008. In February 2011, the administrative law judge ruled that, with the exception of the campus chapel, St. Joseph Center be denied an exemption from real estate taxes. Provena subsequently filed an appeal in the Circuit Court of Stephenson County and is presently considering whether to voluntarily dismiss its appeal.

(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 2010 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, 2010 through May 9, 2011, which was the date the financial statements were available to be issued.

Schedule 1

PROVENA HEALTH AND AFFILIATES

Consolidating Balance Sheet Information

December 31, 2010

(In thousands)

Assets		**Provena Health**	**Provena Hospitals**	**Provena Life Connections**	**Provena Ventures, Inc.**	**Eliminations**	**Consolidated totals**
Current assets:							
Cash and cash equivalents	$	54,200	40,793	16,780	1,226	—	112,999
Short-term investments		—	1,509	127	—	—	1,636
Assets limited or restricted as to use, required for current liabilities		22,640	—	—	—	—	22,640
Receivables:							
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately $117,595		—	155,419	14,421	—	—	169,840
Estimated receivables under third-party reimbursement programs		—	3,921	460	—	—	4,381
Due from affiliates		13,791	2,704	50	—	(16,545)	—
Inventories		—	23,134	704	—	—	23,838
Prepaid expenses and other		22,275	24,949	785	114	—	48,123
Total current assets		112,906	252,429	33,327	1,340	(16,545)	383,457
Assets limited or restricted as to use, net of current portion		376,834	20,779	7,577	—	(14,054)	391,136
Land, buildings, and equipment, net		40,969	576,805	56,374	5,607	—	679,755
Other		54,461	5,980	475	4,036	(32,287)	32,665
Total assets	$	585,170	855,993	97,753	10,983	(62,886)	1,487,013
Liabilities and Net Assets							
Current liabilities:							
Current installments of long-term debt	$	10,470	—	55	—	—	10,525
Current portion of obligations under capital leases		2,396	1,468	5	—	—	3,869
Current portion of estimated self-insurance liabilities		12,305	—	—	—	—	12,305
Accounts payable and accrued expenses		26,574	85,943	13,692	195	—	126,404
Estimated payables under third-party reimbursement programs		—	84,591	53	—	—	84,644
Due to affiliates		1,695	13,532	1,318	—	(16,545)	—
Medicaid deferred revenue		—	26,732	—	—	—	26,732
Derivatives and other		41,349	7,000	2,189	304	(14,054)	36,788
Total current liabilities		94,789	219,266	17,312	499	(30,599)	301,267
Long-term debt, net of current installments		610,922	—	1,095	—	—	612,017
Obligations under capital leases, net of current portion		2,656	4,326	9	—	—	6,991
Estimated self-insurance liabilities, net of current portion		86,480	—	—	—	—	86,480
Pension benefit liability		91,499	—	—	—	—	91,499
Other long-term liabilities		7,720	7,337	1,092	—	—	16,149
Total liabilities		894,066	230,929	19,508	499	(30,599)	1,114,403
Net assets (deficit):							
Unrestricted		(308,896)	616,986	76,469	10,484	(32,287)	362,756
Temporarily restricted		—	6,667	1,533	—	—	8,200
Permanently restricted		—	1,411	243	—	—	1,654
Total net assets		(308,896)	625,064	78,245	10,484	(32,287)	372,610
Total liabilities and net assets	$	585,170	855,993	97,753	10,983	(62,886)	1,487,013

See accompanying independent auditors' report.

Schedule 2

PROVENA HEALTH AND AFFILIATES

Consolidating Statement of Operations Information

Year ended December 31, 2010

(In thousands)

		Provena Health	Provena Hospitals	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Revenue:							
Net patient and resident service revenue	$	—	1,112,243	109,186	—	—	1,221,429
Other revenues		161,600	14,522	5,394	(186)	(161,550)	19,780
Net assets released from restriction used for operations		—	1,043	121	—	—	1,164
Total revenue		161,600	1,127,808	114,701	(186)	(161,550)	1,242,373
Expenses:							
Salaries and benefits		61,228	469,837	75,453	—	(24,792)	581,726
Supplies and drugs		763	160,861	8,501	—	—	170,125
Purchased services		13,830	202,726	9,327	—	(68,760)	157,123
Interest		35,304	32,237	3,050	—	(34,983)	35,608
Depreciation and amortization		12,457	53,690	4,212	—	—	70,359
Provider tax assessment		—	34,355	—	—	—	34,355
Provision for uncollectible accounts		—	109,305	1,216	—	—	110,521
Restructuring charges		95	938	—	—	—	1,033
Other		31,127	65,914	8,865	91	(33,015)	72,982
Total expenses		154,804	1,129,863	110,624	91	(161,550)	1,233,832
Income (loss) from operations before impairments		6,796	(2,055)	4,077	(277)	—	8,541
Impairments		—	1,729	(77)	—	—	1,652
Income (loss) from operations		6,796	(3,784)	4,154	(277)	—	6,889
Nonoperating gains (losses):							
Investment income – realized		10,390	1,809	371	—	—	12,570
Investment income – unrealized		18,199	780	374	—	—	19,353
Derivatives valuation adjustment		(6,792)	—	—	—	—	(6,792)
Other, net		10,335	(1,350)	(537)	—	—	8,448
Net nonoperating gains		32,132	1,239	208	—	—	33,579
Revenue and gains in excess (deficient) of expenses and losses		38,928	(2,545)	4,362	(277)	—	40,468
Other changes in unrestricted net assets:							
Expense reclassification for dedesignated hedges		95	—	—	—	—	95
Change in funded status of pension plan		(15,172)	—	—	—	—	(15,172)
Transfers from (to) affiliates		(4,749)	6,685	(1,936)	—	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment		—	1,010	119	—	—	1,129
Other, net		—	(9)	—	—	—	(9)
Change in unrestricted net assets	$	19,102	5,141	2,545	(277)	—	26,511

See accompanying independent auditors' report.

PROVENA HOSPITALS

Consolidating Balance Sheet Information

December 31, 2010

(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	$	6,492	2,508	2,069	22,515
Short-term investments		—	—	—	1,509
Receivables:					
Patient accounts receivable, less allowance for uncollectible accounts of approximately $96,626		20,181	23,895	21,464	56,083
Estimated receivables under third-party reimbursement programs		1,014	227	(569)	2,682
Due from affiliates		246	289	365	473
Inventories		3,875	2,798	4,580	6,890
Prepaid expenses and other		3,014	5,126	2,867	7,344
Total current assets		34,822	34,843	30,776	97,496
Assets limited or restricted as to use, net of current portion		5,347	5,394	2,421	1,911
Land, buildings, and equipment, net		47,769	63,548	131,947	248,558
Other		471	1,605	1,253	1,781
Total assets	$	88,409	105,390	166,397	349,746
Liabilities and Net Assets					
Current liabilities:					
Current portion of obligations under capital leases	$	366	157	139	311
Accounts payable and accrued expenses		16,275	14,938	10,894	26,439
Estimated payables under third-party reimbursement programs		11,736	10,223	12,005	36,672
Due to affiliates		2,115	2,013	1,970	4,807
Medicaid deferred revenue		2,622	6,594	3,179	6,222
Derivatives and other		442	819	1,168	401
Total current liabilities		33,556	34,744	29,355	74,852
Obligations under capital leases, net of current portion		737	558	501	1,390
Other long-term liabilities		276	2,192	601	2,801
Total liabilities		34,569	37,494	30,457	79,043
Net assets:					
Unrestricted		53,298	65,861	134,742	268,942
Temporarily restricted		437	1,634	659	1,567
Permanently restricted		105	401	539	194
Total net assets		53,840	67,896	135,940	270,703
Total liabilities and net assets	$	88,409	105,390	166,397	349,746

See accompanying independent auditors' report.

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
7,142	67	—	40,793	—	40,793
—	—	—	1,509	—	1,509
19,854	11,819	2,123	155,419	—	155,419
(32)	599	—	3,921	—	3,921
436	867	28	2,704	—	2,704
3,152	1,839	—	23,134	—	23,134
3,418	2,913	267	24,949		24,949
33,970	18,104	2,418	252,429	—	252,429
1,663	4,043	—	20,779	—	20,779
54,922	27,911	2,150	576,805	—	576,805
494	227	149	5,980	—	5,980
91,049	50,285	4,717	855,993	—	855,993
114	381	—	1,468	—	1,468
8,600	7,285	1,512	85,943	—	85,943
7,731	6,224	—	84,591	—	84,591
57	1,934	636	13,532	—	13,532
4,063	4,052	—	26,732	—	26,732
721	1,429	2,020	7,000	—	7,000
21,286	21,305	4,168	219,266	—	219,266
521	619	—	4,326	—	4,326
1,221	124	122	7,337	—	7,337
23,028	22,048	4,290	230,929	—	230,929
66,358	27,358	427	616,986	—	616,986
1,644	726	—	6,667	—	6,667
19	153	—	1,411	—	1,411
68,021	28,237	427	625,064	—	625,064
91,049	50,285	4,717	855,993	—	855,993

PROVENA HOSPITALS

Consolidating Statement of Operations Information

Year ended December 31, 2010

(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	$ 156,386	154,402	146,037	399,218
Other revenues	1,164	3,513	1,447	3,963
Net assets released from restriction used for operations	299	113	13	251
Total revenue	157,849	158,028	147,497	403,432
Expenses:				
Salaries and benefits	57,167	68,177	66,456	166,987
Supplies and drugs	22,893	19,641	21,662	61,588
Purchased services	30,990	27,135	29,139	60,503
Interest	3,927	4,325	6,230	12,048
Depreciation and amortization	5,194	8,077	10,495	20,529
Provider tax assessment	4,410	6,961	4,394	12,071
Provision for uncollectible accounts	15,350	15,457	12,264	34,338
Restructuring costs	48	442	155	267
Other	14,608	8,693	8,356	19,788
Total expenses	154,587	158,908	159,151	388,119
Income (loss) from operations before impairments	3,262	(880)	(11,654)	15,313
Impairments	192	245	—	243
Income (loss) from operations	3,070	(1,125)	(11,654)	15,070
Nonoperating gains (losses):				
Investment income – realized	428	525	129	398
Investment income – unrealized	294	120	24	85
Other, net	55	(801)	(194)	(249)
Net nonoperating gains (losses)	777	(156)	(41)	234
Revenue and gains in excess (deficient) of expenses and losses	3,847	(1,281)	(11,695)	15,304
Other changes in unrestricted net assets:				
Transfers from (to) affiliates	2,180	(63)	5,853	(14,465)
Net assets released from restriction used for the purchase of land, buildings, and equipment	(236)	115	57	591
Other, net	—	—	—	—
Change in unrestricted net assets	$ 5,791	(1,229)	(5,785)	1,430

See accompanying independent auditors' report.

Schedule 4

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
131,394	112,054	12,752	1,112,243	—	1,112,243
1,932	2,295	208	14,522	—	14,522
94	273	—	1,043	—	1,043
133,420	114,622	12,960	1,127,808	—	1,127,808
50,367	45,312	15,371	469,837	—	469,837
20,613	13,781	683	160,861	—	160,861
28,622	23,582	2,755	202,726	—	202,726
3,457	2,139	111	32,237	—	32,237
5,166	3,769	460	53,690	—	53,690
3,557	2,962		34,355	—	34,355
16,333	14,531	1,032	109,305	—	109,305
18	5	3	938	—	938
6,467	6,118	1,884	65,914	—	65,914
134,600	112,199	22,299	1,129,863	—	1,129,863
(1,180)	2,423	(9,339)	(2,055)	—	(2,055)
484	—	565	1,729	—	1,729
(1,664)	2,423	(9,904)	(3,784)	—	(3,784)
246	83	—	1,809	—	1,809
79	178	—	780	—	780
165	48	(374)	(1,350)	—	(1,350)
490	309	(374)	1,239	—	1,239
(1,174)	2,732	(10,278)	(2,545)	—	(2,545)
4,820	(2,163)	10,523	6,685	—	6,685
207	276	—	1,010	—	1,010
(9)	—	—	(9)	—	(9)
3,844	845	245	5,141	—	5,141

Schedule 5

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	$	34,687	35,401	12,446	1,635	—	84,169
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		79,993	238,532	25,918	1,749	(10,626)	335,566
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
Other		49,359	8,094	488	3,978	(32,287)	29,632
Total assets	$	569,984	848,116	88,377	11,334	(54,695)	1,463,116
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	97,542	10,310	263	—	145,959
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	218,096	12,622	572	(22,408)	297,828
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	226,954	14,607	572	(22,408)	1,117,940
Net assets (deficit):							
Unrestricted		(328,233)	614,000	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		(328,231)	621,162	73,770	10,762	(32,287)	345,176
Total liabilities and net assets	$	569,984	848,116	88,377	11,334	(54,695)	1,463,116

See accompanying independent auditors’ report.

Schedule 6

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 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
Other		736	2,399	1,618	1,486
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
1,240	463	152	8,094	—	8,094
87,514	48,513	4,215	848,682	(566)	848,116
179	258	—	1,579	—	1,579
10,686	7,800	2,086	97,542	—	97,542
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	17,762	4,825	218,662	(566)	218,096
206	227	—	1,593	—	1,593
1,224	435	132	7,265	—	7,265
23,387	18,424	4,957	227,520	(566)	226,954
62,514	29,591	(742)	614,000	—	614,000
1,595	350	—	5,858	—	5,858
18	148	—	1,304	—	1,304
64,127	30,089	(742)	621,162	—	621,162
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.

Schedule 8

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)