BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and Consolidating Schedules

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of August 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bon Secours Health System, Inc. and its subsidiaries as of August 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(x) to the consolidated financial statements, in 2013, the Company adopted new accounting guidance, Accounting Standards Update No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 29, 2013

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

August 31, 2013 and 2012

(In thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	194,888	138,781
Accounts receivable, net:			
Patient and third-party payors		443,332	394,359
Other		41,470	48,683
Total accounts receivable, net		484,802	443,042
Assets limited or restricted as to use		65,505	61,336
Inventories		61,075	56,853
Prepaid expenses and other current assets		30,410	29,562
Total current assets		836,680	729,574
Assets limited or restricted as to use, less current portion		984,188	950,128
Property, plant, and equipment, net		1,093,253	1,096,481
Goodwill and other assets, net		332,265	303,793
Total assets	$	3,246,386	3,079,976
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	31,423	27,810
Accounts payable		188,750	198,896
Accrued salaries, wages, and benefits		146,878	127,413
Other accrued expenses		122,602	106,420
Total current liabilities		489,653	460,539
Long-term debt, less current portion		989,761	1,019,800
Other long-term liabilities and deferred credits		586,719	756,121
Total liabilities		2,066,133	2,236,460
Net assets:			
Unrestricted-controlling interest		901,618	608,843
Unrestricted-noncontrolling interest		222,053	180,780
Total unrestricted		1,123,671	789,623
Temporarily restricted		48,872	45,849
Permanently restricted		7,710	8,044
Total net assets		1,180,253	843,516
	$	3,246,386	3,079,976

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended August 31, 2013 and 2012

(In thousands)

		2013	2012
Revenues:			
Net patient service revenue before bad debts	$	3,440,175	3,330,158
Provision for patient bad debts, net		(216,295)	(242,585)
Net patient service revenue		3,223,880	3,087,573
Other revenue		133,530	118,344
Total revenues		3,357,410	3,205,917
Expenses:			
Salaries, wages, and benefits		1,717,273	1,618,264
Supplies		565,830	559,808
Purchased services and other		777,634	738,878
Depreciation and amortization		135,366	128,614
Interest		37,386	42,358
Total expenses		3,233,489	3,087,922
Operating income from continuing operations		123,921	117,995
Nonoperating gains (losses), net:			
Nonoperating investment gains, net		95,730	33,032
Loss on early retirement of debt		(8,328)	(602)
Gain on sale of assets, net		33	2,836
Other nonoperating activities, net		(42,206)	(41,220)
Excess of continuing revenues over expenses		169,150	112,041
Gain on discontinued operations, net		1,700	2,872
Excess of revenues over expenses		170,850	114,913
Other changes in unrestricted net assets:			
Grants for capital		6,081	5,235
Net change in unrealized (losses) gains on other-than-trading securities		(1,881)	438
Net assets released from restrictions used for purchase of property, plant, and equipment		910	3,537
Net change in equity of joint ventures		986	3,301
Distributions to noncontrolling interest owners		(6,671)	(7,042)
Pension and other postretirement adjustments		171,318	(129,968)
Transfers to affiliates and other changes, net		(7,545)	(4,063)
Increase (decrease) in unrestricted net assets		334,048	(13,649)
Unrestricted net assets, beginning of year		789,623	803,272
Unrestricted net assets, end of year	$	1,123,671	789,623

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2013 and 2012

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2011	$ 803,272	40,911	6,854	851,037
Excess of revenues over expenses	114,913	—	—	114,913
Grants and restricted contributions	—	16,791	1,214	18,005
Grants for capital	5,235	—	—	5,235
Net change in unrealized gains on other-than-trading securities	438	290	—	728
Investment income	—	140	—	140
Net assets released from restrictions used for purchase of property, plant, and equipment	3,537	(3,537)	—	—
Net assets released from restrictions used for operations	—	(8,557)	(19)	(8,576)
Net change in equity of joint ventures	3,301	—	—	3,301
Distributions to noncontrolling interest owners	(7,042)	—	—	(7,042)
Pension and other postretirement adjustments	(129,968)	—	—	(129,968)
Transfers to affiliates and other changes, net	(4,063)	(189)	(5)	(4,257)
(Decrease) increase in net assets	(13,649)	4,938	1,190	(7,521)
Balance at August 31, 2012	789,623	45,849	8,044	843,516
Excess of revenues over expenses	170,850	—	—	170,850
Grants and restricted contributions	—	9,847	(346)	9,501
Grants for capital	6,081	—	—	6,081
Net change in unrealized gains (losses) on other-than-trading securities	(1,881)	525	12	(1,344)
Investment income	—	204	—	204
Net assets released from restrictions used for purchase of property, plant, and equipment	910	(910)	—	—
Net assets released from restrictions used for operations	—	(5,913)	—	(5,913)
Net change in equity of joint ventures	986	—	—	986
Distributions to noncontrolling interest owners	(6,671)	—	—	(6,671)
Pension and other postretirement adjustments	171,318	—	—	171,318
Transfers to affiliates and other changes, net	(7,545)	(730)	—	(8,275)
Increase (decrease) in net assets	334,048	3,023	(334)	336,737
Balance at August 31, 2013	$ 1,123,671	48,872	7,710	1,180,253

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended August 31, 2013 and 2012

(In thousands)

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 336,737	(7,521)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Gain on discontinued operations, net	(1,700)	(2,872)
Provision for bad debts, net	216,295	242,585
Depreciation and amortization, including $4,204 and $5,699 reported in nonoperating activities, net in 2013 and 2012, respectively	139,570	134,313
Amortization of deferred financing costs and bond premium/discount, net	(96)	2,045
Equity in income of joint ventures	(48,640)	(27,261)
Distributions received from investments in joint ventures	23,417	25,197
Net realized/unrealized gains on certain investments and derivative instruments	(89,815)	(28,263)
Loss on early retirement of debt	8,328	602
Gain on sale of assets	(33)	(2,836)
Pension and other postretirement adjustments	(171,318)	129,968
Grants received for capital expenditures	(6,081)	(5,235)
Contributions restricted by donor	(9,501)	(18,005)
Cash distributions to noncontrolling interest owners	6,671	7,042
Cash (used in) provided by changes in assets and liabilities:		
Increase in accounts receivable	(258,055)	(263,014)
Increase in inventories, prepaid expenses and other current assets	(5,070)	(13,653)
Decrease (increase) in goodwill and other assets, net	2,401	(8,086)
Increase (decrease) in accounts payable and other current liabilities	26,077	(13,465)
Increase in other long-term liabilities and deferred credits	33,832	13,965
Net cash provided by operating activities	203,019	165,506
Cash flows from investing activities:		
Investment in joint ventures	(3,816)	(4,666)
Purchases of securities, net of sales and maturities	33,865	(12,853)
Property, plant, and equipment additions, net of disposals	(131,098)	(143,976)
Proceeds from sale of assets	—	2,349
Payments related to interest rate swaps	(14,195)	(15,432)
Net cash used in investing activities	(115,244)	(174,578)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	395,522	72,460
Payments of long-term debt	(33,896)	(28,324)
Retirements of long-term debt	(397,632)	(70,880)
Payment of deferred financing fees	(4,573)	(1,236)
Grants received for capital expenditures	6,081	5,235
Proceeds from contributions restricted by donors	9,501	18,005
Cash distributions to noncontrolling interest owners	(6,671)	(7,042)
Net cash used in financing activities	(31,668)	(11,782)
Net increase (decrease) in cash and cash equivalents	56,107	(20,854)
Cash and cash equivalents, beginning of year	138,781	159,635
Cash and cash equivalents, end of year	$ 194,888	138,781

Supplemental disclosures:
(a) Cash paid for taxes was $706 and $892 for 2013 and 2012, respectively.
(b) Entered into a capital lease of $3,500 in 2013.

See accompanying notes to consolidated financial statements.

(1) Organization and Mission

(a) Organizational Structure

Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI or the System), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc., a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris (*Sisters of Bon Secours*), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the healthcare needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries, an entity comprised of both laypersons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. Bon Secours Ministries, which is referred to as a “public juridic person” in the Catholic Church’s *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI’s Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as “sponsorship.” The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to Bon Secours Ministries on November 1, 2006. Since then, Bon Secours Ministries has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching.

The System’s principal activities comprise health and nursing care services in the states of New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

(b) Mission

The Mission of the System is to bring compassion to healthcare and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, the System is committed to helping to bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina, and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability. Activities directly associated with this purpose are considered operating activities. Operating activities also include other incidental services that are closely related to healthcare.

(c) Community Benefits

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in the community. The System's financial assistance policy ensures that all members of the community receive this basic human right to access healthcare.

The categories included as programs and services for the poor and disadvantaged are as follows:

(i) Charitable Services – Financially Disadvantaged Persons

The System provides care to patients regardless of their ability to pay for all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

(ii) Charitable Services – State Programs

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

(iii) Other Community Benefits

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System:

- Primary care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- Health screenings and immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents;

(In thousands)

- Child programs – providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs;
- Leadership activities – a full-time healthy community leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions.

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are computed by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The cost of these services is as follows for the years ended August 31, 2013 and 2012:

		2013	2012
Charitable services and other community benefits:			
Cost of services to financially disadvantaged persons	$	151,066	143,575
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons		84,383	94,634
Cost of other community benefits		60,560	59,410
Total community benefits, at cost	$	296,009	297,619

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSHSI. Members of the corporate group include all entities that BSHSI directly or indirectly controls, even if the System has less than 50% of the ownership or membership interest in the entity. Investments in entities where the System holds 50% or less of an entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The System has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue and changes in unrestricted net assets, respectively, in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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

(Continued)

(In thousands)

consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the years ended August 31, 2013 and 2012, the System recorded income of $8,891 and $9,456, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding investments limited or restricted as to use.

(d) Accounts Receivable, net

Accounts receivable is presented net of allowances for uncollectible accounts. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and Managed Care contracts comprise approximately 75% of the System's consolidated third-party payor revenue.

The respective percentages of amounts due from patients and third-party payors at August 31, 2013 and 2012 are as follows:

	2013	2012
Medicare	24%	24%
Medicaid	9	9
Managed care	42	45
Other, including self-pay	25	22
	100%	100%

In evaluating the collectibility of accounts receivable, the System analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for uncollectible accounts. Management regularly reviews its estimate and evaluates the sufficiency of the allowance for bad debts. The System analyzes contractual amounts due from patients who have third-party coverage and provides an allowance for doubtful accounts and a provision for bad debts. For patient accounts receivable associated with self-pay patients, which includes those patients without existing insurance coverage for a portion of the bill, the Company records a significant provision for bad debts for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

(In thousands)

Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted.

(e) Assets Limited or Restricted as to Use and Investment Income

Assets limited or restricted as to use include assets held by trustees under indentures, self-insurance trust arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. The fair value of investments, with the exception of alternative investments, is based upon quoted market prices or other observable market inputs. The System elected to fair value its investments in its equity and fixed income commingled funds. Alternative investments are recorded under the equity method.

Unrealized gains or losses on trading securities are included in nonoperating investment gains, net. As of August 31, 2013 and 2012, all investments and assets limited or restricted as to use are designated as trading securities, except for certain foundation investments and trustee held funds.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2013 and 2012, respectively. All other investment income is reported within nonoperating investment gains, net.

(f) Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market, principally on a first-in, first-out basis.

(g) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Estimated useful lives of the assets are as follows:

Buildings	20 to 50 years
Fixed equipment	10 to 20 years
Major movable equipment	5 to 10 years
Software	3 to 7 years

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

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the software.

(h) Asset Impairment

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the Accounting Standards Codification (ASC) Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2013 and 2012, respectively.

(i) Goodwill and Other Assets, Net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as goodwill, must be analyzed in order to determine whether their value has been impaired.

Goodwill is assessed annually for impairment at the reporting unit. The System first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two step goodwill impairment tests as described in Topic 350. The more–likely–than not threshold is defined as having a likelihood of more than 50%. The System determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the

(In thousands)

System concluded that goodwill was not impaired as of August 31, 2013 and 2012 without having to perform the two-step impairment test.

Total goodwill recognized on acquisitions, less accumulated amortization, was $98,359 as of August 31, 2013 and 2012, respectively, and is included in goodwill and other assets, net. Accumulated amortization of goodwill amounted to $50,873 at August 31, 2013 and 2012.

Goodwill and other assets, net, consist of the following at August 31, 2013 and 2012:

		2013	2012
Goodwill, net of accumulated amortization	$	98,359	98,359
Investment in joint venture (note 12)		141,838	120,030
Self insurance receivable		28,727	33,766
Other assets		26,690	21,845
Pledges and notes receivable		25,659	18,924
Deferred financing costs, net		10,992	10,869
Total goodwill and other assets, net	$	332,265	303,793

(j) Deferred Financing Costs, Net

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to $6,055 and $7,831 at August 31, 2013 and 2012, respectively.

(k) Leases

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations within depreciation and amortization expense.

(In thousands)

(l) Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consist of the following at August 31, 2013 and 2012:

	2013	2012
Accrued pension liability (note 9)	$ 290,227	446,538
Self-insurance liabilities	147,479	131,544
Environmental liabilities	14,234	14,176
Derivative instrument valuations (note 7)	62,398	94,260
Medical office building liabilities (note 14(e))	35,321	35,321
Other long-term liabilities	37,060	34,282
	$ 586,719	756,121

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers for additions to property, plant, and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(n) Net Assets

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of $48,872 and $45,849 at August 31, 2013 and 2012, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Approximately 60% of the temporarily restricted net assets will be expended for capital with the remaining 40% for operating purposes. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) Fair Values

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of investments and assets limited or restricted as to use, with the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method. The System elected to record its investments in equity and fixed income commingled funds at fair value. See note 4 for additional disclosures of investments and assets limited or restricted as to use. The carrying values of other long-term liabilities approximate fair values. See note 6 for the fair value of long-term debt.

(p) Net Patient Service Revenue

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

(q) Other Revenue

Other revenue includes income from equity investments in joint ventures, gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants), assisted living, and cafeteria and meal sales. The System, using the grant model for Meaningful Use incentive payments, recorded approximately $22,500 and $18,900 of revenues related to Medicare's and Medicaid's incentive payments for certain entities meeting the criteria for electronic health records during the years ended August 31, 2013 and 2012, respectively (note 11).

(r) Nonoperating Activities, Net

Other activities, which are largely unrelated to the System's primary mission, are recorded as other nonoperating gains (losses), include rental activities of medical office buildings, school of nursing, general donations, and fund-raising activities.

(s) Performance Indicator

The accompanying consolidated statements of operations include a performance indicator, excess of continuing revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include discontinued operations, unrealized gains on other-than-trading securities, permanent transfers of assets to and from unconsolidated affiliates for other than goods and services, pension and other postretirement adjustments, the System's allocated share of joint ventures' change in equity, distributions to noncontrolling interest owners and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

(t) Discontinued Operations

The System accounts for discontinued operations under relevant accounting guidance, which requires that a component of an entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component of an entity has been disposed of or classified as held-for-sale, the results of operations for prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations. The System recognized gains on discontinued operations of $1,700 and $2,872 for the years ended August 31, 2013 and 2012, respectively, as the result of adjustments to certain liabilities in excess of final settlements associated with the System's formerly discontinued operations.

(u) Income Taxes

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately $66,681 and $95,733 of net operating loss carryforwards as of August 31, 2013 and 2012, respectively, which expire in varying periods through 2032 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2013 and 2012. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

(v) Derivative Instruments

ASC Topic 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. An entity is required to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. In addition, for those derivative instruments that meet the criteria of an effective hedge, the hedged item must also be recorded at its fair value, with the changes in fair value reflected in other changes in unrestricted net assets.

Derivative instruments, specifically interest rate swaps, are recorded on the balance sheets at their respective fair values and are included in other long-term liabilities and deferred credits. The System's current derivative instruments do not qualify for hedge accounting, and the changes in fair value of such derivative instruments are reflected in nonoperating investment gains, net in the accompanying consolidated statements of operations in the period of change. Net settlement payments made or received on nonqualifying derivatives are recorded as nonoperating investment losses, net.

(w) Self-Insurance

Under the System's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected as based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. BSHSI shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from BSHSI's reinsurers are valued by an independent actuary and are included in the accrued claims including liabilities for incidents incurred but not reported. Should BSHSI's reinsurers be unable to reimburse BSHSI for recoverable claims, BSHSI would still be liable to pay the claims; however, BSHSI contracts with various highly rated insurance carriers to mitigate this risk.

(x) Recently Issued Accounting Pronouncements

(i) In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patients service revenue from an operating expense to a deduction from patients service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The System adopted this guidance on September 1, 2012. Adoption of this guidance resulted in reclassification of $216,295 and $242,585 of bad debts from operating expenses to a reduction of net patient service revenue on the consolidated statements of operations for the years ended August 31, 2013 and 2012, respectively. See note 10 for additional disclosures.

(ii) In September 2011, the FASB issued ASU No. 2011-09, *Disclosures about an Employer's Participation in a Multiemployer Plan*. The guidance is intended to provide financial statement users with greater transparency about an employer's participation in a multiemployer pension plan. The guidance requires additional qualitative and quantitative information disclosures to assist users of the consolidated financial statements in understanding the commitments and risks involved in participating in multiemployer pension plans, including the financial health of all of the significant plans in which the employer participates. This ASU does not change the current recognition and measurement guidance for an employer's participation in a multiemployer pension plan. The System adopted this guidance on September 1, 2012. The adoption of this guidance required additional disclosures and did not have an impact on the consolidated financial position, operating results or cash flows of the System. See note 9 for the new disclosures.

(iii) In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. New considerations from ASU 2011-04 included the following:

(a) Expanded disclosures around the reporting entity's valuation policies and procedures, specifically what internal reporting procedures, frequency and methods for calibration of the assets or liabilities, back-testing, how the reporting entity assessed third-party information, and other methods used to develop and substantiate unobservable inputs.

(In thousands)

(b) Tabular disclosure of all transfers between Levels 1 and 2 that are held at the end of the reporting period, and reasons for such transfers.

(c) Additional tabular disclosures for Level 3 assets, including the valuation technique used, quantification of unobservable inputs, and a sensitivity analysis of changes to unobservable inputs.

The System adopted this guidance effective September 1, 2012, which required additional disclosures and the adoption did not have a material impact on the consolidated financial statements.

(y) Reclassifications

Certain reclassifications were made to 2012 amounts to conform to the 2013 presentation.

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2013 and 2012:

		2013	2012
Land	$	83,426	81,776
Land improvements		47,378	47,223
Buildings		965,847	933,144
Fixed equipment		79,240	75,409
Major movable equipment		1,183,387	1,076,857
Leasehold improvements		83,755	74,698
Construction in progress		90,021	112,028
		2,533,054	2,401,135
Less accumulated depreciation and amortization		1,439,801	1,304,654
	$	1,093,253	1,096,481

Included in construction in progress at August 31, 2013 and 2012 are costs mainly associated with an electronic medical records project, facility renovations, and expansions. The System anticipates expending an additional $87,819 in future periods to complete strategic capital projects. Depreciation expense for the System was $137,859 and $132,721 for the years ended August 31, 2013 and 2012, respectively.

(In thousands)

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2013 and 2012:

	2013	2012
Board-designated funds:		
Cash and cash equivalents	$ 65,277	91,383
Equity mutual funds	49,020	44,875
Equity commingled funds	42,932	61,032
Common and preferred stocks	206,934	277,703
Fixed income mutual funds	100,813	82,642
Fixed income commingled funds	98,005	80,363
U.S. government and agency securities	14,532	—
Corporate obligations	12,829	41,801
Alternative investments	302,434	140,830
Land and other investments, at cost	152	62
	892,928	820,691

(In thousands)

		2013	2012
Donor-restricted funds:			
Cash and cash equivalents	$	17,016	14,724
Equity mutual funds		1,904	1,633
Equity commingled funds		559	793
Common and preferred stocks		7,649	8,049
Fixed income mutual funds		2,716	2,168
Fixed income commingled funds		1,275	1,044
U.S. government and agency securities		579	493
Corporate obligations		2,016	1,954
Alternative investments		4,027	2,008
Land and other investments, at cost		297	51
		38,038	32,917
Funds held by indenture trustees:			
Cash and cash equivalents		9,289	24,971
Government and agency bonds		7,784	33,776
Corporate obligations		554	11,347
		17,627	70,094
Self-insurance funds:			
Cash and cash equivalents		14,765	12,698
Equity commingled funds		18,827	16,002
Common and preferred stocks		14,704	11,359
Fixed income mutual funds		20,312	24,086
Fixed income commingled funds		23,202	23,617
Alternative investments		9,290	—
		101,100	87,762
Assets limited or restricted as to use		1,049,693	1,011,464
Available for current liabilities		(65,505)	(61,336)
Long-term assets limited or restricted as to use	$	984,188	950,128

(In thousands)

The portion of the System's investments available for current liabilities consists of the following at August 31, 2013 and 2012:

	2013	2012
Current portion of debt	$ 1,885	2,742
Self-insurance programs	45,082	44,688
Foundation programs	13,173	9,218
Board-designated	5,365	4,688
	$ 65,505	61,336

The System's consolidated total return on investments consists of the following for the years ended August 31, 2013 and 2012:

	2013	2012
Dividends and interest	$ 14,960	14,885
Net realized gains on securities	67,818	11,717
Net unrealized gains on securities	4,276	38,156
	87,054	64,758
Realized and unrealized gains (losses) on derivative instruments	17,721	(21,610)
	$ 104,775	43,148

Total investment return is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2013 and 2012:

	2013	2012
Nonoperating investment gains, net	$ 95,730	33,032
Investment income, net on trustee-held funds recorded as other revenue	10,185	9,248
Investment income and net unrealized gains on securities in restricted net assets	741	430
Net unrealized (losses) gains on other-than-trading securities	(1,881)	438
Total investment return	$ 104,775	43,148

The System's ability to generate investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The System's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The System's entire portfolio is actively managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2013 and 2012, the System had invested approximately $315,751 and $142,838, or 30.1% and 14.1%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds, real estate investment funds and long/short equity funds.

(5) Fair Value of Financial Instruments

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities and mutual funds that are traded in an active exchange market, as well as government and agency securities.

Level 2: 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 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain equity mutual funds, corporate-debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the System's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the System's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the System.

BSHSI elected to record equity and fixed income commingled funds using the fair value option contained within FASB ASC Topic 825, *Financial Instruments*, in prior years and continues to account for these investments at fair value.

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2013:

	Fair value	Fair value measurements at August 31, 2013 using		
		Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 106,347	106,347	—	—
Equity mutual funds, primarily foreign	50,924	50,924	—	—
Equity commingled funds	62,318	—	62,318	—
Common and preferred stocks	229,287	229,287	—	—
Fixed income mutual funds	123,841	123,841	—	—
Fixed income commingled funds	122,482	—	122,482	—
Government and agency bonds	22,895	22,895		—
Corporate obligations	15,399	1,725	13,674	—
Total investments	$ 733,493	535,019	198,474	—
Liabilities:				
Interest rate swaps	$ 62,398	—	62,398	—
Total liabilities	$ 62,398	—	62,398	—

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2012:

	Fair value	Fair value measurements at August 31, 2012 using		
		Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 143,776	143,353	423	—
Equity mutual funds, primarily foreign	46,508	46,508	—	—
Equity commingled funds	77,827	—	77,827	—
Common and preferred stocks	297,111	297,111	—	—
Fixed income mutual funds	108,896	108,896	—	—
Fixed income commingled funds	105,024	—	105,024	—
Government and agency bonds	34,269	34,258	11	—
Corporate obligations	55,102	11,673	41,851	1,578
Other	113	96	17	—
Total investments	$ 868,626	641,895	225,153	1,578
Liabilities:				
Interest rate swaps	$ 94,260	—	94,260	—
Total liabilities	$ 94,260	—	94,260	—

There were no significant transfers between Levels 1, 2 and 3 during the year ended August 31, 2013 and 2012.

(In thousands)

The change in the fair value of the assets and liabilities using significant unobservable inputs (Level 3) was due to the following:

	Level 3 assets Corporate Bonds
Beginning balance, September 1, 2011	$ 126
Total net gains realized	1
Total net gains unrealized	44
Purchases	1,870
Sales	(463)
Transfers in (out) of Level 3	—
Ending balance, August 31, 2012	1,578
Total net gains realized	46
Total net losses unrealized	(40)
Purchases	—
Sales	(1,584)
Transfers in (out) of Level 3	—
Ending balance, August 31, 2013	$ —

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2013 and 2012, management believes that its investment positions are in accordance with the guidelines in the IPS.

(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2013 and 2012:

	2013	2012
Master Trust Notes and Hospital Revenue Bonds:		
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027; interest at 5.93%	$ 61,043	64,644
Series 1995 Maryland fixed rate term bonds payable in installments through August 2024; interest at 5.50%	—	4,855
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018; interest at 6.38% to 6.50%	19,480	22,700

(In thousands)

	2013	2012
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%	$ 10,455	11,630
Series 1997 Virginia fixed rate serial and term bonds payable in installments through August 2023; interest at 4.70% to 5.25%	—	11,455
Series 1997 New York fixed rate serial and term bonds payable in installments through July 2027; interest at 5.00% to 5.50%	30,320	31,735
Series 2002A Kentucky fixed rate term bond payable in installments beginning November 2023 through November 2030; interest at 5.63%	—	42,970
Series 2002A South Carolina fixed rate and serial term bonds payable in installments beginning November 2015 through November 2030; interest at 5.50% to 6.00%	—	225,200
Series 2002A Henrico, Virginia fixed rate term bond payable in installments beginning November 2023 through November 2030; interest at 5.60%	—	46,400
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a fifteen day put provision; interest at 0.09% and 0.22% at August 31, 2013 and 2012, set at prevailing rates	4,250	4,250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a fifteen day put provision; interest at 0.09% and 0.22% at August 31, 2013 and 2012, set at prevailing rates	12,700	13,400
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042; interest at 4.50 to 5.25% at August 31, 2013 and 2012.	173,355	173,355
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 0.07% and 0.17% at August 31, 2013 and 2012, set at prevailing rates	69,925	69,925
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.06% at August 31, 2013 and 0.17% to 0.18% at August 31, 2012, set at prevailing rates	110,860	144,490

(In thousands)

		2013	2012
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.06% and 0.15% at August 31, 2013 and 2012, set at prevailing rates	$	23,590	25,010
Series 2010 Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2042; interest at 0.16% at August 31, 2012, set at prevailing rates		—	40,740
Series 2011 variable rate direct placement bonds payable in installments through November 2025 ; interest at 1.4% at August 31, 2013 and 2012, set at prevailing rates		67,600	72,460
Series 2013 Kentucky fixed rate serial and term bonds payable in installments beginning November 2015 through November 2026; interest at 4.0% to 5.0%		39,075	—
Series 2013 South Carolina fixed rate serial bonds payable in installments beginning November 2015 through November 2029; interest at 3.75% to 5.0%		184,870	—
Series 2013 Virginia fixed rate serial bonds payable in installments beginning November 2016 through November 2030; interest at 4.0% to 5.0%		78,245	—
Series 2013B Virginia variable rate direct placement bonds payable in installments through November 2043; interest at 1.2% to 1.3% at August 31, 2013, set at prevailing rates		67,245	—
Total Master Trust Notes and Hospital Revenue Bonds		953,013	1,005,219
Other debt secured by certain property, plant, and equipment:			
9.25% note payable to HUD, due April 2025		6,244	6,528
3.00% note payable to Wells Fargo		1,075	1,250
Capital leases obligations (interest at 5.00-6.00%)		9,005	9,090
Notes payable		26,694	29,190
Other long-term debt		97	97
Total other debt		43,115	46,155
Total long-term debt		996,128	1,051,374
Add (less) bond premium (discount), net of accumulated amortization		25,056	(3,764)
		1,021,184	1,047,610
Less current portion		31,423	27,810
Long-term debt, less current portion	$	989,761	1,019,800

(Continued)

Master Notes have been issued by BSHSI on behalf of itself and certain affiliates who collectively constitute the Members of an Obligated Group created by a Master Trust Indenture dated October 1, 1985, as restated, supplemented, and amended. Master Notes secured payment of principal and interest on various series of serial and term indebtedness issued for the benefit of the Members of the Obligated Group by various governmental issuers as well as the performance of certain agreements entered into with credit enhances, liquidity providers and swap counterparties. Each Master Note is a joint and several obligation of each Member of the Obligated Group and is secured by a pledge of such Member's unrestricted receivables. Approximately 40.0% and 40.9% of the indebtedness secured by Master Notes was supported, as to payments of principal and interest, by bond insurance policies as of August 31, 2013 and 2012, respectively. Approximately 21.1% and 28.2% of the indebtedness secured by the Master Notes was supported by letters of credit as of August 31, 2013 and 2012, respectively. Certain amounts of the indebtedness supported by letters of credit are also supported by bond insurance policies.

The Master Trust Indenture and certain other agreements require the Obligated Group to maintain minimum financial ratios, place restrictions on the disposition of assets and changes in members of the Obligated Group, and provide for the maintenance of certain trustee-held funds, among other things

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and directly controlled by BSHSI, but is not a member of the BSHSI Obligated Group. Schervier is the borrower of the proceeds of certain Series 1997 fixed rate bonds issued by the Dormitory Authority of the State of New York (DASNY), which had an outstanding principal amount of $30,320 as of August 31, 2013. Pursuant to its loan agreement with DASNY, Schervier covenanted to maintain minimum annual debt service coverage at the end of each calendar year. At December 31, 2012, Schervier was not in compliance with the coverage ratio. Management requested and received waivers of compliance with the Coverage Ratio for the calendar years ended December 31, 2012 and 2013. Accordingly, such debt has been classified as long-term at August 31, 2013, except for the amounts that are payable in the following year, which are classified as current.

The Series 2008D Bonds are subject to long-term amortization periods. However, while bearing interest at a weekly rate, the Series 2008D Bonds are subject to optional tender by the bondholders. If bonds, which are tendered, are not remarketed to new bondholders, pursuant to the letter of credit, the bank will purchase the tendered Series 2008D Bonds on behalf of the Obligated Group. If the bank purchases tendered Series 2008D Bonds pursuant to the letter of credit, no payments are due the Bank with respect to such Bonds until 367 days after the bank purchases the tendered Series 2008D Bonds. The Obligated Group must repay the principal amount of the purchased bonds (x) with respect to two of the bank agreements ((i) and (ii), as described above), on the first day of the 13th month succeeding the stated expiration date (y) with respect to the other one letter of credit agreement ((iv) as described above), in substantially equal payments commencing on the first business day following the 367th day, and semiannually thereafter over the subsequent three years, and (z) with respect to the other one letter of credit agreement ((vi) as described above), in substantially equal payments commencing on the first business day following the 367th day, and semiannually thereafter over the subsequent four years, unless certain events occur. To secure its obligations to reimburse the various banks, BSHSI issued separate Master Notes. On September 29, 2010, BSHSI terminated six irrevocable direct pay letters of credit that secured variable rate debt bonds originally issued in October 2008. On the same date, BSHSI entered into four new and two amended and restated irrevocable direct pay letters of credit with respect to those bonds.

On October 19, 2010, BSHSI converted four series of bonds originally issued in January 2008 from variable interest rate bonds to fixed rate serial and term bonds. Additionally, on October 19, 2010, the Virginia Small Business Financing Authority issued $40,700 principal amount of new variable rate bonds (referred to as the Series 2010 Bonds) and loaned the proceeds thereof to BSHSI. The proceeds of the Series 2010 Bonds were used to (i) pay a termination payment relating to the termination of four fixed payor swaps relating to the converted bonds and (ii) pay related costs of issuance.

On November 30, 2011, the Series 2008A Bonds were subject to mandatory tender. In connection with the mandatory tender, the Obligated Group delivered a letter of credit as additional security for the Series 2008A Bonds. Pursuant to the letter of credit, the bank covenants to pay principal of and interest on the Series 2008A Bonds. The bond insurance policy, which was issued concurrently with the issuance of the Series 2008A Bonds, will only pay principal of and interest on the Series 2008A Bonds if the bank fails to pay pursuant to the letter of credit. The bank, which issued the letter of credit, can, under certain circumstances, cause the cancellation of the bond insurance policy. The Series 2008A Bonds continue to be remarketed weekly and bear interest at a weekly interest rate established by the market. While bearing interest at a weekly rate, the Series 2008A Bonds are subject to optional tender by the bondholders. If bonds, which are tendered, are not remarketed to new bondholders, pursuant to the letter of credit, the bank will purchase the tendered Series 2008A Bonds on behalf of the Obligated Group. The letter of credit expires, subject to certain exceptions and to the ability of the Obligated Group to request an extension of the stated expiration date, on November 30, 2015. If the bank purchases tendered Series 2008A Bonds pursuant to the letter of credit, no payments are due to the Bank with respect to such Bonds until 367 days after the bank purchases the tendered Series 2008A Bonds. Beginning on such 367th day, the Obligated Group must repay the principal amount of the purchased bonds in substantially equal semiannual installments (i) if the bond insurance policy is still in effect, over the subsequent five years or (ii) if the bond insurance policy has been canceled, over the subsequent three years.

On November 30, 2011, BSHSI terminated three irrevocable direct pay letters of credit that secured variable rate bonds originally issued in 2002 and 2008, respectively. On the same date, BSHSI entered into three new irrevocable direct pay letters of credit with a substitute letter of credit provider with respect to those bonds.

On December 8, 2011, the Economic Development Authority of the City of Norfolk issued $72,500 principal amount of its revenue bonds (referred to as the Series 2011 Bonds) and loaned the proceeds thereof to BSHSI. The proceeds of the Series 2011 Bonds were used to (i) refund the Series 2008D-1 Bonds and Series 2008D-2 Bonds issued by the Economic Development Authority of the City of Norfolk, (ii) pay or reimburse DePaul Medical Center for the costs of acquiring, constructing, equipping, expanding, enlarging and improving its acute care hospital facilities and (iii) pay certain costs incurred in connection with the issuance of the Series 2011 Bonds and the refunding of the prior bonds. The Series 2011 Bonds have a final maturity of November 15, 2025 and were purchased by a financial institution (referred to as the Series 2011 Direct Purchase Bank) for an initial term of ten years. During the initial term, the Series 2011 Bonds bear interest based on a percentage of LIBOR plus an agreed–upon spread. Following the expiration of the initial term, BSHSI may determine to seek an extension of the initial term, convert the interest rate mode on the Series 2011 Bonds or otherwise refinance the Series 2011 Bonds. Payment of the Series 2011 Bonds is secured by a Master Notes issued under the Master Indenture. In connection with the issuance of the Series 2011 Bonds, BSHSI, as Credit Group Representative under the Master Indenture, entered into a credit agreement with the Series 2011 Direct Purchase Bank, which contain various covenants that can be enforced or waived solely by the Series 2011 Direct Purchase Bank. Those covenants are similar to the covenants that BSHSI has provided to various banks and insurance companies, which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness.

On December 7, 2012, the Obligated Group used its own funds to defease the outstanding $4,855 Maryland Industrial Development Financing Authority Economic Development Revenue Bonds, Series 1995 (Bon Secours Health System Project).

In addition, in December 2012, BSHSI entered into a new irrevocable, direct-pay letter of credit with an existing letter of credit provider that replaced the previous letter of credit securing the Industrial Development Authority of Hanover County Revenue Refunding Bonds, Series 2008D-2 (Bon Secours Health System, Inc.). This new irrevocable, direct-pay letter of credit expires in December 2015.

On January 9, 2013, a letter of credit facility provider issued irrevocable, direct-pay letters of credit to secure the South Carolina Jobs-Economic Development Authority Economic Development Revenue Refunding Bonds, Series 2008D (Bon Secours Health System, Inc.) and the Economic Development Authority of Hanover County Revenue Refunding Bonds, Series 2008D-1 (Bon Secours Health System, Inc.) pursuant to related reimbursements agreements. These letters of credit replaced previous letters of credit provided by a different bank with respect to those series of variable rate bonds. Each of the new irrevocable, direct-pay letters of credit expires in January 2018.

On January 11, 2013, BSHSI borrowed from the South Carolina Jobs-Economic Development Authority, the City of Russell, Kentucky, the Economic Development Authority of Henrico County, Virginia and the Economic Development Authority of the City of Norfolk the proceeds of new bonds issued on January 11, 2013 in the aggregate principal amount of $302,190 (referred to as the Series 2013 Bonds). The proceeds were used to (i) pay or reimburse, or refinance certain indebtedness the proceeds of which were used by one or more of St. Mary's Hospital, located in Henrico County, Virginia, Memorial Regional Medical Center, located in Hanover County, Virginia, Maryview Hospital, located in Portsmouth, Virginia, DePaul Medical Center, Norfolk, located in Virginia, Mary Immaculate Hospital, located in Newport News, Virginia, Our Lady of Bellefonte Hospital, located in Russell, Kentucky, and St. Francis Hospital and St. Francis Women's & Family Hospital, both located in Greenville, South Carolina, for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain of their healthcare facilities and (ii) refinance, in current refunding transactions, four series of revenue bonds that were issued for the benefit of BSHSI and other Members of the Obligated Group, and that were outstanding in the aggregate principal amount of $326,025. The System recognized a loss on extinguishment of debt of approximately $8,200 during the year ended August 31, 2013 in connection with this transaction.

On July 11, 2013, BSHSI and certain other Members of the Obligated Group borrowed from the Virginia Small Business Financing Authority and the Economic Development Authority of Henrico County, Virginia, the proceeds of new bonds issued on July 11, 2013 in the aggregate principal amount of $67,245 (referred to as the Series 2013B Bonds). The proceeds were used to refinance, in current refunding transactions, two series of revenue bonds that were issued for the benefit of BSHSI and other Members of the Obligated Group, and that were outstanding in the aggregate principal amount of $67,245. The two series of Series 2013B Bonds have final maturities of November 1, 2025 and 2042, respectively, and were purchased by a financial institution (referred to as the Series 2013B Direct Purchase Bank) to hold for an initial term of up to twelve years. During the initial term, the Series 2013B Bonds will bear interest based on a percentage of LIBOR plus an agreed–upon spread. With respect to the series maturing on November 1, 2042, following the expiration of the initial term, BSHSI may determine to seek an extension of the initial term, convert the interest rate mode on such Series 2013B Bonds or otherwise refinance such Series 2013B Bonds. Payment of the Series 2013B Bonds is secured by Master Notes issued under the Master Indenture. In connection with the issuance of the Series 2013B Bonds, BSHSI, as Credit Group Representative under the Master Note, entered into agreements with the Series 2013B Direct Purchase Bank, which contains various covenants that can be enforced or waived solely by the Series 2013B Direct Purchase Bank. Those covenants are similar to covenants BSHSI has provided to various banks and insurance companies which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness. The System recognized a loss on extinguishment of debt of approximately $100 during the year ended August 31, 2013 in connection with this transaction.

(In thousands)

Scheduled principal repayments on long-term debt are as follows:

2013	$	31,423
2014		28,495
2015		33,254
2016		35,668
2017		34,458
Thereafter		832,830
Total	$	996,128

The System has entered into four leases maturing in 5-10 years that are classified as capital leases for building and equipment. In addition, the System has consolidated two limited liability corporations with amounts outstanding under notes totaling $25,857 and $27,576 as of August 31, 2013 and 2012, respectively. Such notes have an interest rate of 7.75% and maturity dates in 2021.

Total interest expense was $37,386 and $42,358 for the years ended August 31, 2013 and 2012, respectively. Cash paid for interest was $40,313 and $42,602 for the years ended August 31, 2013 and 2012, respectively, and includes capitalized interest for construction projects of $2,080 and $2,648, net of investment income, for the years ended August 31, 2013 and 2012, respectively.

(7) Interest Rate Risk Management

The System uses fixed and variable-rate debt to finance capital needs and develop an appropriate debt structure. Variable-rate debt exposes the System to variability in interest expense due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

(In thousands)

At August 31, 2013 and 2012, the System had eleven instruments, respectively, which did not qualify for hedge accounting treatment under ASC Topic 815. Fair value changes of these instruments were reported under nonoperating investment gains, net. The following is a summary of the derivative instruments in place at August 31, 2013:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted at August 31, 2013	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 44,640	3.448%	Nov-2025	$ —	Goldman Sachs	$ (4,500)	10,000
Fixed payer	1	66,960	3.491%	Nov-2025	—	Deutsche Bank	(6,911)	20,000
Fixed payer	2	115,950	4.460%/3.420%	Aug-2026/Nov-2028	—	Merrill Lynch	(17,147)	*
Fixed payer	2	117,250	4.485%/3.384%	Oct-2025/Oct-2026	4,843	JP Morgan	(19,325)	15,000
Fixed payer	1	69,925	3.454%	Nov-2042	—	PNC Bank	(10,655)	*
	7	414,725			4,843		(58,538)	
Fixed basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	(551)	20,000
Variable basis	3	475,000	SIFMA	Nov-2029	—	Merrill Lynch	(5,900)	*
Total derivatives	11	$ 1,089,725			$ 4,843		(64,989)	$ 65,000
						Valuation adjustments	2,591	
							$ (62,398)	

* Derivative instrument does not provide for the posting of collateral.

The following is a summary of the derivative instruments in place at August 31, 2012:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted at August 31, 2012	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 50,710	3.448%	Nov-2025	$ —	Goldman Sachs	$ (7,612)	10,000
Fixed payer	1	76,065	3.491%	Nov-2025	—	Deutsche Bank	(11,611)	20,000
Fixed payer	2	121,875	4.460%/3.420%	Aug-2026/Nov-2028	—	Merrill Lynch	(27,409)	*
Fixed payer	2	121,350	4.485%/3.384%	Oct-2025/Oct-2026	14,285	JP Morgan	(29,441)	15,000
Fixed payer	1	69,925	3.454%	Nov-2042	—	PNC Bank	(22,976)	*
	7	439,925			14,285		(99,049)	
Fixed basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	4,829	20,000
Variable basis	3	488,500	SIFMA	Nov-2029	—	Merrill Lynch	(7,305)	*
Total derivatives	11	$ 1,128,425			$ 14,285		(101,525)	$ 65,000
						Valuation adjustments	7,265	
							$ (94,260)	

* Derivative instrument does not provide for the posting of collateral.

(In thousands)

The unrealized gains of $31,916 and unrealized losses of $6,178 for the years ended August 31, 2013 and 2012, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains, net in the accompanying consolidated statements of operations.

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

(8) Noncontrolling Interest

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2013 and 2012:

		Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2011	$	638,462	164,810	803,272
Excess of continuing revenues over expenses		91,018	21,023	112,041
Gain on discontinued operations		2,872	—	2,872
Grants for capital		5,235	—	5,235
Net change in unrealized gains on other than trading securities		438	—	438
Net assets released from restrictions used for purchase of property, plant, and equipment		3,537	—	3,537
Net change in equity of joint ventures		3,301	—	3,301
Distributions to noncontrolling interest owners		—	(7,042)	(7,042)
Pension and other postretirement adjustments		(129,750)	(218)	(129,968)
Transfers to affiliates and other changes, net		(6,270)	2,207	(4,063)
(Decrease) increase in net assets		(29,619)	15,970	(13,649)
Balance as of August 31, 2012		608,843	180,780	789,623

(In thousands)

	Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Excess of continuing revenues over expenses	$ 124,713	44,437	169,150
Gain on discontinued operations	1,700	—	1,700
Grants for capital	6,081	—	6,081
Net change in unrealized losses on other than trading securities	(1,881)	—	(1,881)
Net assets released from restrictions used for purchase of property, plant, and equipment	910	—	910
Net change in equity of joint ventures	986	—	986
Distributions to noncontrolling interest owners	—	(6,671)	(6,671)
Pension and other postretirement adjustments	170,423	895	171,318
Purchase of ownership interest from noncontrolling interest owners	1,718	(1,718)	—
Transfers to affiliates and other changes, net	(11,875)	4,330	(7,545)
Increase in net assets	292,775	41,273	334,048
Balance as of August 31, 2013	$ 901,618	222,053	1,123,671

(9) Pension Plan

The System's employees are covered either by one of the System's noncontributory defined benefit pension plans, or are covered by defined contribution retirement plans. The System's noncontributory defined benefit pension plans provide benefits based upon age at retirement, years of credited services, and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code. For defined benefit pension plans deemed to be church plans under the Internal Revenue Code, the System's funding policy is to make contributions to fund the annual service cost of the plans plus a 15 year amortization of the unfunded Accumulated Benefit Obligation. Defined benefit pension plans that are subject to the Employee Retirement Income Security Act of 1974 guidelines are funded in accordance with those guidelines. The service cost and projected benefit obligation are based upon the projected unit credit actuarial method.

In July 2011, the System announced the closure of the defined benefit pension plans to all new employees. Existing defined benefit plan participants were given a choice option. This choice option allows a one time election to maintain participation in the defined benefit pension plan or move to a defined contribution retirement plan.

The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

(In thousands)

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2013 and 2012. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

		Amounts in unrestricted net assets at August 31, 2013	Amounts in unrestricted net assets at August 31, 2012	Amounts in unrestricted net assets to be recognized in fiscal year 2014
Net prior service cost	$	153	366	105
Net actuarial losses		194,540	366,076	11,146
Transition asset		(7)	(14)	(7)
Total	$	194,686	366,428	11,244

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans for the years ended August 31, 2013 and 2012 are as follows:

		2013	2012
Change in projected benefit obligation:			
Net projected benefit obligation at beginning of year	$	943,395	750,554
Service cost		22,896	20,495
Interest cost		37,697	40,120
Actuarial loss		(120,179)	160,352
Gross benefits paid		(33,365)	(28,126)
Projected benefit obligation at end of year		850,444	943,395
Change in plan assets:			
Fair value of plan assets at beginning of year		496,857	439,987
Actual return on plan assets		59,385	52,870
Employer contributions		37,340	32,126
Gross benefits paid		(33,365)	(28,126)
Fair value of plan assets at end of year		560,217	496,857
Net amount recognized at end of year	$	(290,227)	(446,538)

(In thousands)

		2013	2012
Accumulated benefit obligation at end of year	$	810,979	900,261
Amounts recognized in the consolidated balance sheets consist of:			
Accrued benefit costs – long term	$	(290,227)	(446,538)
Components of net periodic benefit cost:			
Service cost	$	22,896	20,495
Interest cost		37,697	40,120
Expected return on plan assets		(36,788)	(36,086)
Amortization of:			
Actuarial loss		28,759	12,749
Prior service cost		213	199
Transition asset		(7)	(7)
Total net periodic benefit costs	$	52,770	37,470

	2013	2012
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	5.10%	4.00%
Rate of compensation increase	3.00	3.00
Weighted average assumptions used to determine net periodic benefit cost at August 31:		
Discount rate	4.00%	5.35%
Expected return on plan assets	7.80	7.80
Rate of compensation increase	3.00	3.50

Net pension expense is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.80% and was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

(In thousands)

The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternatives. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. As of August 31, 2013 and 2012, the pension plan assets were allocated by asset category as follows:

	2013	2012
Asset category:		
Equity mutual and commingled funds and securities	67%	61%
Fixed income mutual funds and securities	23	28
Alternative investments	9	9
Cash	1	2
Total	100%	100%

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2013:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 21,112	21,112	—	—
Equity mutual funds	5,433	5,433	—	—
Equity commingled funds	65,819	—	65,819	—
Common and preferred stocks	293,056	293,056	—	—
Fixed income mutual funds	29,138	29,138	—	—
Government and agency bonds	30,658	30,658	—	—
Corporate obligations	66,784	—	66,784	—
Alternative investments	48,217	—	—	48,217
Total investments	$ 560,217	379,397	132,603	48,217

(In thousands)

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2012:

	Fair value	Fair value measurements Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 22,231	22,231	—	—
Equity mutual funds	6,810	6,810	—	—
Equity commingled funds	55,591	—	55,591	—
Common and preferred stocks	233,424	233,424	—	—
Fixed income mutual funds	18,515	18,515	—	—
Government and agency bonds	45,948	44,909	1,039	—
Corporate obligations	70,761	—	69,973	788
Alternative investments	43,577	—	—	43,577
Total investments	$ 496,857	325,889	126,603	44,365

There were no significant transfers between Levels 1, 2 and 3 during the years ended August 31, 2013 and 2012.

The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following:

	Level 3 assets Corporate bonds	Alternative investments	Total
Beginning balance September 1, 2011	$ 60	44,595	44,655
Total net gains realized	1	—	1
Total net gains (losses) unrealized	24	(1,018)	(994)
Purchases	1,011	—	1,011
Sales	(308)	—	(308)
Ending balance August 31, 2012	788	43,577	44,365
Total net gains realized	26	780	806
Total net (losses) gains unrealized	(23)	3,860	3,837
Purchases	—	—	—
Sales	(791)	—	(791)
Ending balance August 31, 2013	$ —	48,217	48,217

(In thousands)

The System applies ASU No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using Net Asset Value (NAV).

The following summarizes the redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of August 31, 2013:

	Hedge Fund 1	Hedge Fund 2
Redemption timing:		
Redemption frequency	Monthly	Quarterly
Required notice	70 days	95 days
Audit reserve:		
Percentage held back for audit reserve	10%	10%
Gates:		
Potential gate holdback	—%	—%
Potential gate release timeframe	n/a	n/a
Unfunded commitments	—	—

The System expects to contribute $29,719 to its pension plans in fiscal year 2014.

Future pension benefit payments, which reflect expected future service, as appropriate, are expected as follows:

2014	$ 46,262
2015	35,181
2016	37,342
2017	39,826
2018	42,154
2019 – 2023	255,171

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 6% of compensation under certain defined contribution plans. The System contributed approximately $34,297 and $29,060 towards these plans during the years ended August 31, 2013 and 2012, respectively. Total expense was $33,604 and $27,933 in 2013 and 2012, respectively.

In addition to the retirement plan described above, other postretirement healthcare benefits are provided to certain qualified retirees who meet certain eligibility requirements. The net obligation recognized in the accompanying consolidated balance sheets at August 31, 2013 and 2012 is $2,765 and $3,189, respectively.

Multi-Employer Plans

The system contributes to two multi-employer defined benefit pension plans. These plans include The Archdiocese Pension Plan for the Archdiocese of New York (Archdiocesan Plan) and the 1199 Union Pension Plan.

(a) Archdiocesan Plan

The Archdiocesan Plan is a noncontributory, multi-employer defined benefit plan, which covers substantially all of Bon Secours New York Health System (BSNYHS) and Bon Secours Charity Health System's (BSCHS) full-time nonunion employees. The Employer Identification Number is 13-3089351. The Archdiocesan Plan is a Church plan approved by the Internal Revenue Service and is exempt from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the Archdiocesan Plan are based on actuarial valuations. The contributions of all participating employers are pooled. As of January 1, 2012, the Archdiocesan Plan's market value of assets is $917,245 and the present value of accrued plan benefits is $1,276,488 resulting in a funded status of 71.9%. Contributions to the Archdiocesan Plan were $3,349 and $3,723 for the years ended August 31, 2013 and 2012, respectively.

(b) 1199 SEIU Health Care Employees Pension Fund

The System contributes to a multi-employer defined benefit plan under the terms of a collective bargaining agreement for its 1199 SEIU employees. The Employer Identification Number is 13-3604862/001. The most recent available information on the Pension Protection Act (PPA) zone status is for the plan years ended December 31, 2011 and 2010. The zone status is based on information that the System received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. Based on this information, the zone status was green for the plan years ended December 31, 2011 and 2010, respectively.

The expiration date of the collective bargaining agreements requiring contributions to the plan are April 30, 2015 for service and maintenance units and June 30, 2015 for nursing units. The contributions by the System to the union pension fund were $10,013 and $7,523 for the years ended August 31, 2013 and 2012, respectively. There have been no significant changes that affect the comparability of 2013 and 2012 contributions. The System was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than 5% of the total contributions to the plan for the years ended December 31, 2011 and 2010.

(10) Net Patient Service Revenue

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

(In thousands)

The System estimates the allowance for uncollectible accounts based on the aging of the accounts receivable, historical collection experience, payor mix and other relevant factors. A significant portion of the allowance for uncollectible accounts relates to self-pay patients, as well as co-payments and deductibles owed by patients with insurance. There are various factors that can impact collection trends such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients. Other factors include the volume of patients through the emergency departments and the increased level of co-payments and deductibles due from patients with insurance. These factors continuously change and can have an impact on collection trends and the estimation process.

The activity in the allowance for uncollectible accounts is summarized as follows for the years ended August 31, 2013 and 2012:

		2013	2012
Beginning balance	$	158,540	134,510
Provision for bad debts		216,295	242,585
Write-offs		(234,247)	(218,555)
Ending balance	$	140,588	158,540

(11) Reimbursement Programs

The System participates in the Medicare and Medicaid programs. Payment rates for inpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates using clinical and diagnostic charges. Capital costs are also generally based upon prospectively determined rates. However, certain services are subject to cost-based reimbursement principles, subject to certain limitations. The System also participates in various managed care programs. Generally, these programs provide for payments based on negotiated rates; however, certain plans utilize cost-based or charge-based payment principles.

Programs utilizing cost-based reimbursement principles are subject to review and final determination by appropriate program representatives. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Due to third-party payors, net, is included in other accrued expenses in the accompanying consolidated balance sheets.

Since 2005, the Centers for Medicare and Medicaid Services (CMS) have utilized recovery audit contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. To date, all System hospitals have had certain Medicare claims denied. Since 2008, State Medicaid Integrity Programs (referred to as MIPs) have been initiated by CMS through contractors.

In addition to RAC and MIP audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

The System's management strives to anticipate factors that affect payment changes and develop plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment changes. Nonetheless, future actions by federal, state, and private payors could have a significant adverse effect on the System's operating results, cash flows, and liquidity. In addition, management pursues the highest level of compliance, but state and federal audits by the Offices of the Inspector General do create uncertainty. At this time, the System has two audits underway. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

As a result of the federal healthcare reform legislation enacted in 2010, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Two specific changes have been enacted by CMS in 2011, both of which present opportunities to the System. The first is value based purchasing. On May 6, 2011, CMS issued the final rule that establishes a hospital value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Value-based incentive payments are being made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. The System's hospitals are currently measuring quality indicators consistent with the CMS value based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

The second change is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrate "meaningful use" of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2011. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and EP's that do not achieve meaningful use of EHR. During the year ended August 31, 2013, the System qualified for Medicare EHR incentive payments of approximately $16,000 and Medicaid EHR incentive payments of $6,500. During the year ended August 31, 2012, the System qualified for Medicare EHR incentive payments of approximately $12,400 and Medicaid EHR incentive payments of $6,500. BSHSI has made a substantial investment in a qualified EHR. The System expects to qualify providers for Medicaid payments in all States where the State Medicaid Health Information Technology Plan has been submitted to and are approved by CMS.

Beginning April 1, 2013, sequestration was put into effect as part of the spending reductions required by the Budget Control Act of 2011. These budget deficit reductions have resulted in a 2% reduction in all Medicare payments made to all healthcare providers.

Effective for discharges beginning on October 1, 2012, the Hospital Readmissions Reductions Program withheld up to 1% of regular reimbursements for hospitals that had excess patient readmissions within 30 days of discharge for three medical conditions: heart attack, heart failure and pneumonia. As a part of healthcare reform legislation, the maximum penalty will increase to 3% by 2015 and be expanded to include readmissions for other medical conditions.

(12) Investments in Joint Ventures and Nonpublic Entities

The System has invested in a number of joint ventures, limited liability corporations and other nonpublic entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control.

(a) Roper St. Francis Healthcare – South Carolina

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital. BSHSI accounts for its interest in Roper St. Francis Healthcare under the equity method and includes its interest in Roper St. Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations as other revenue. Roper St. Francis Healthcare, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are not otherwise affiliated with BSHSI and are not Members of the Obligated Group.

The System recorded income of $12,694 and $3,630 related to its equity interest for the years ended August 31, 2013 and 2012, respectively. Included in these amounts were the System's allocated share of investment gains of $5,409 and $3,077 for the years ended August 31, 2013 and 2012, respectively. In addition, adjustments of $986 and $3,310 were recorded as net change in equity of joint ventures in 2013 and 2012, respectively, to reflect the System's 27% interest in the net assets of this joint venture.

(In thousands)

The total assets, total liabilities, and net assets as of August 31, 2013 and 2012 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

		2013	2012
Total assets	$	873,931	840,650
Total liabilities		496,321	492,624
Net assets		377,610	348,026
Total revenue		741,287	772,411
Total expenses		727,944	771,818
Investment gains, net		33,670	11,247
Change in unrestricted net assets		29,584	15,708

In June 2009, Roper St. Francis Healthcare received state approval for the construction of a new 50-bed full service hospital located in Berkeley County, South Carolina. The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility. These capital construction projects will be financed through Roper St. Francis Healthcare's equity. A portion of the annual distributions are expected to be foregone during the construction period.

(b) Sentara Princess Anne

BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) and Sentara Healthcare (Sentara) are members in a Virginia not-for-profit, nonstock corporation that owns and operates Sentara Princess Anne Hospital located in Virginia Beach, Virginia. Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest in the corporation.

The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

BSHSI accounts for its interest in Sentara Princess Anne Hospital under the equity method and includes its interest in Sentara Princess Anne Hospital's excess of revenue over expenses in its consolidated statements of operations as other revenue. Sentara Healthcare is not otherwise affiliated with BSHSI and is not a Member of the Obligated Group.

The System recorded income of $6,532 and $1,537 related to its equity interest for the years ended August 31, 2013 and 2012, respectively.

(In thousands)

The total assets, total liabilities, and net assets as of August 31, 2013 and 2012 and the total revenue, total expenses, and change in unrestricted net assets for the twelve months then ended, for Sentara Princess Anne Hospital are as follows:

		2013	2012
Total assets	$	266,553	253,345
Total liabilities		169,690	176,396
Net assets		96,863	76,949
Total revenue		195,397	159,420
Total expenses		175,484	148,227
Change in unrestricted net assets		19,914	11,211

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

The System participates in a self-insurance program for health professional/general liability (HPL/GL Program) by policies issued under a member of the System, Bon Secours Assurance Company, LTD (BSAC). BSAC is incorporated in the Cayman Islands. BSHSI is the sole shareholder of BSAC. Assets are available under the HPL/GL Program to provide specified levels of claims-made coverage for health professional liabilities and occurrence-based coverage for general liabilities, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately $117,742 and $113,085 at August 31, 2013 and 2012, respectively. The current portion of such accruals, $18,333 at August 31, 2013 and $18,710 at August 31, 2012, is included in other accrued expenses, and the remainder, $99,409 at August 31, 2013 and $94,375 at August 31, 2012, is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of $53,492 and $45,051, of which the current portion, $7,600 and $8,500 at August 31, 2013 and 2012, respectively, is reported as other accrued expenses and the remainder, $45,892 and $36,551 at August 31, 2013 and 2012, respectively, is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2013 and 2012, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments such amounts are undiscounted and based upon an actuarial central estimate. The impact of the change in discount rate was not significant to the consolidated financial statements.

(In thousands)

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $18,011 and $18,286, include estimates for claims incurred but not reported, at August 31, 2013 and 2012, respectively.

(d) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The System's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, but cannot reasonably predict any particular outcomes or operational or financial effects from these matters at this time.

(e) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was $82,491 and $81,537 in 2013 and 2012, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2014	$	63,971
2015		55,339
2016		41,786
2017		32,372
2018		26,764
Thereafter		58,910

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of $35,321 at August 31, 2013 and 2012, are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above.

Subsequent to August 31, 2013, the System has entered into additional operating leases and developments as a matter of ongoing business.

(f) Guaranty Agreements

Affiliates of the System entered into several limited partnership agreements during the period from 1997 through 2010. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2010, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. All such guaranty agreements are still in effect as of August 31, 2013. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2013. The maximum potential amount of future payments the System affiliates are obligated to make was $6,419 and $6,849 as of August 31, 2013 and 2012, respectively.

(14) Net Assets

BSHSI's endowments consist of approximately 83 individual funds established for a variety of purposes. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were $7,710 and $8,044 at August 31, 2013 and 2012, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no significant deficiencies at August 31, 2013 and 2012.

The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The System expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

(In thousands)

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The System uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

BSHSI has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2013 and 2012 is as follows:

		2013	2012
Healthcare services	$	2,935,985	2,786,775
General and administrative		297,504	301,147
Total expenses	$	3,233,489	3,087,922

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2013 and through October 29, 2013. The System did not have any material recognizable subsequent events during this period other than disclosed below.

On October 1, 2013 Premier Purchasing Partners, LP, a group purchasing organization in which BSHSI is a limited partner, sold 20% of its equity as part of an organizational restructuring and an affiliate's Initial Public Offering. BSHSI received a distribution from the restructuring proceeds of approximately $9,700. As a result of the distribution, BSHSI expects to record approximately $8,000 into income in fiscal year 2014.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Index to Consolidating Information

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report on Supplementary Information

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries:

We have audited the consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries as of and for the year ended August 31, 2013, and have issued our report thereon dated on October 29, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 29, 2013

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

		Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours Charity Health System, Inc.	Bon Secours St. Petersburg Health System, Inc.
Assets									
Current assets:									
Cash and cash equivalents	$	281	26,099	398,029	330,136	24,911	1,206	2,162	2,028
Accounts receivable, net:									
Patient and third-party payors		18,155	87,532	155,491	86,863	17,947	8,812	65,808	2,725
Other		1,642	8,256	16,390	4,322	2,903	230	2,809	170
Total accounts receivable, net		19,797	95,788	171,881	91,185	20,850	9,042	68,617	2,895
Assets limited or restricted as to use		221	4,709	9,809	282	-	4,596	474	333
Inventories		1,414	15,561	18,800	14,874	3,679	99	6,558	91
Assets held for sale		-	-	-	-	-	-	-	-
Prepaid expenses and other current assets		1,329	7,657	11,513	5,021	3,085	279	1,912	269
Total current assets		23,042	149,814	610,032	441,498	52,525	15,222	79,723	5,616
Assets limited as to use and restricted, less current portion		17,641	137,898	359,653	24,219	10,780	3,342	9,736	-
Property, plant and equipment, net		30,209	145,410	367,150	165,063	53,189	22,391	120,929	11,503
Goodwill and other assets, net		8,315	69,986	56,576	107,058	9,720	4,593	56,775	2,030
Total assets	$	79,207	503,108	1,393,411	737,838	126,214	45,548	267,163	19,149
Liabilities and Net Assets									
Current Liabilities:									
Current portion of long-term debt		438	896	5,897	-	-	1,739	1,299	-
Accounts payable		11,268	37,947	55,873	27,294	6,890	2,754	16,567	840
Accrued salaries, wages and benefits		4,889	23,180	42,682	18,437	4,687	2,455	24,136	1,092
Other accrued expenses		5,192	11,523	25,148	5,614	3,690	671	17,447	368
Due to (from) affiliate		(3)	708	-	(95)	-	(114)	128	322
Total current liabilities		21,784	74,254	129,600	51,250	15,267	7,505	59,577	2,622
Long-term debt, less current portion		2,480	25,846	58,488	-	-	34,825	79,835	61
Other long-term liabilities and deferred credits		27,959	62,420	210,527	31,018	42,972	11,095	65,801	2,750
Due to (from) affiliate, less current portion		108,728	60,476	215,169	454,280	47,005	5,468	134,013	15,485
Total liabilities		160,951	222,996	613,784	536,548	105,244	58,893	339,226	20,918
Unrestricted-controlling interest		(83,185)	186,924	619,383	196,713	18,378	(14,660)	(78,506)	(2,612)
Unrestricted-noncontrolling interest		-	86,588	133,243	979	-	-	-	510
Total unrestricted		(83,185)	273,512	752,626	197,692	18,378	(14,660)	(78,506)	(2,102)
Temporarily restricted		1,441	5,139	23,179	3,117	1,301	1,315	5,788	333
Permanently restricted		-	1,461	3,822	481	1,291	-	655	-
Total net assets		(81,744)	280,112	779,627	201,290	20,970	(13,345)	(72,063)	(1,769)
	$	79,207	503,108	1,393,411	737,838	126,214	45,548	267,163	19,149

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

		Bon Secours Associates, LLC	Shannon MOB Partnership	BSB Health MOB Partnership 2	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2013 Consolidated	2012 Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$	-	918	1,510	-	-	(592,392)	194,888	138,781
Accounts receivable, net:									
Patient and third-party payors		-	-	-	-	-	(1)	443,332	394,359
Other		-	386	518	-	4,899	(1,055)	41,470	48,683
Total accounts receivable, net		-	386	518	-	4,899	(1,056)	484,802	443,042
Assets limited or restricted as to use		-	-	-	18,333	26,749	(1)	65,505	61,336
Inventories		-	-	-	-	-	(1)	61,075	56,853
Assets held for sale		-	-	-	-	-	-	-	-
Prepaid expenses and other current assets		-	-	-	-	10,353	(11,008)	30,410	29,562
Total current assets		-	1,304	2,028	18,333	42,001	(604,458)	836,680	729,574
Assets limited as to use and restricted, less current portion		-	-	-	82,521	293,102	45,296	984,188	950,128
Property, plant and equipment, net		-	2,942	917	-	166,569	6,981	1,093,253	1,096,481
Goodwill and other assets, net		1,721	20,262	12,252	18,565	179,321	(214,909)	332,265	303,793
Total assets	$	1,721	24,508	15,197	119,419	680,993	(767,090)	3,246,386	3,079,976
Liabilities and Net Assets									
Current Liabilities:									
Current portion of long-term debt		-	-	-	-	21,155	(1)	31,423	27,810
Accounts payable		-	1,308	1,894	-	24,706	1,409	188,750	198,896
Accrued salaries, wages and benefits		-	-	-	-	25,320	-	146,878	127,413
Other accrued expenses		-	-	-	18,333	45,625	(11,009)	122,602	106,420
Due to (from) affiliate		-	8	-	-	(892)	(62)	-	-
Total current liabilities		-	1,316	1,894	18,333	115,914	(9,663)	489,653	460,539
Long-term debt, less current portion		-	15,966	9,892	-	838,879	(76,511)	989,761	1,019,800
Other long-term liabilities and deferred credits		-	-	1,974	101,086	216,628	(187,511)	586,719	756,121
Due to (from) affiliate, less current portion		-	3,283	-	-	(497,861)	(546,046)	-	-
Total liabilities		-	20,565	13,760	119,419	673,560	(819,731)	2,066,133	2,236,460
Unrestricted-controlling interest		1,721	3,943	704	-	173	52,642	901,618	608,843
Unrestricted-noncontrolling interest		-	-	733	-	-	-	222,053	180,780
Total unrestricted		1,721	3,943	1,437	-	173	52,642	1,123,671	789,623
Temporarily restricted		-	-	-	-	7,260	(1)	48,872	45,849
Permanently restricted		-	-	-	-	-	-	7,710	8,044
Total net assets		1,721	3,943	1,437	-	7,433	52,641	1,180,253	843,516
	$	1,721	24,508	15,197	119,419	680,993	(767,090)	3,246,386	3,079,976

See accompanying independent auditors' report on supplementary information

Schedule 1.2

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Baltimore Health Corporation						
	Bon Secours Hospital Baltimore	**BS Community Health Services**	**Bon Secours of Maryland Foundation**	**BS Baltimore HS Foundation**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Assets							
Current assets:							
Cash and cash equivalents	$ (85,278)	-	1,039	(840)	85,360	281	372
Accounts receivable, net:							
Patient and third-party payors	18,155	-	-	-	-	18,155	18,775
Other	1,177	-	312	171	(18)	1,642	2,513
Total accounts receivable, net	19,332	-	312	171	(18)	19,797	21,288
					-		
Assets limited or restricted as to use	124	-	97	-	-	221	25
Inventories	1,414	-	-	-	-	1,414	1,344
Assets held for sale	-	-	-	-	-	-	-
Prepaid expenses and other current assets	1,328	-	3,435	-	(3,434)	1,329	1,425
Total current assets	(63,080)	-	4,883	(669)	81,908	23,042	24,454
Assets limited as to use and restricted, less current portion	10,829	-	39	6,773	-	17,641	16,768
Property, plant and equipment, net	28,556	-	39,824	-	(38,171)	30,209	31,219
Goodwill and other assets, net	7,373	1	736	-	205	8,315	8,324
Total assets	$ (16,322)	1	45,482	6,104	43,942	79,207	80,765
Liabilities and Net Assets							
Current Liabilities:							
Current portion of long-term debt	438	-	584	-	(584)	438	707
Accounts payable	11,200	-	432	-	(364)	11,268	9,756
Accrued salaries, wages and benefits	4,889	-	(32)	-	32	4,889	4,477
Other accrued expenses	5,192	-	4,264	-	(4,264)	5,192	4,804
Due to (from) affiliate	(1,189)	-	1,185	-	1	(3)	(18)
Total current liabilities	20,530	-	6,433	-	(5,179)	21,784	19,726
Long-term debt, less current portion	2,378	-	15,454	-	(15,352)	2,480	7,360
Other long-term liabilities and deferred credits	27,958	1	-	-	-	27,959	37,432
Due to (from) affiliate, less current portion	17,485	-	5,588	-	85,655	108,728	97,585
Total liabilities	68,351	1	27,475	-	65,124	160,951	162,103
Unrestricted-controlling interest	(85,327)	-	(3,954)	5,415	681	(83,185)	(82,657)
Unrestricted-noncontrolling interest	-	-	21,864	-	(21,864)	-	-
Total unrestricted	(85,327)	-	17,910	5,415	(21,183)	(83,185)	(82,657)
Temporarily restricted	654	-	97	689	1	1,441	1,319
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(84,673)	-	18,007	6,104	(21,182)	(81,744)	(81,338)
	$ (16,322)	1	45,482	6,104	43,942	79,207	80,765

See accompanying independent auditors' report

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	Bon Secours Maryview Nursing Care Center	Professional Health Care Mgmt Services	Bon Secours DePaul Medical Center, Inc.	Tidewater Diversified, Inc.	Mary Immaculate Hospital, Inc.	St. Francis Nursing Care Center, Inc.	Other Corporations	Consolidating Eliminations	2013 Consolidated	2012 Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ (1,340)	15,145	(7,482)	(109,522)	1,321	97,159	5,613	4,854	20,351	26,099	108,313
Accounts receivable, net:											
Patient and third-party payors	42,079	1,521	-	22,673	-	19,215	2,040	4	-	87,532	82,161
Other	3,027	(16)	101	2,000	327	1,834	1	982	-	8,256	7,864
Total accounts receivable, net	45,106	1,505	101	24,673	327	21,049	2,041	986	-	95,788	90,025
Assets limited or restricted as to use	76	-	-	64	-	1,140	-	3,429	-	4,709	4,264
Inventories	6,768	-	-	3,521	428	4,291	-	552	1	15,561	13,207
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	4,858	18	20	1,318	15	792	11	626	(1)	7,657	4,299
Total current assets	55,468	16,668	(7,361)	(79,946)	2,091	124,431	7,665	10,447	20,351	149,814	220,108
Assets limited as to use and restricted, less current portion	94,165	-	-	12,806	-	28,477	-	2,451	(1)	137,898	126,314
Property, plant and equipment, net	60,256	1,289	8,652	37,767	-	35,412	1,146	888	-	145,410	146,428
Goodwill and other assets, net	16,003	663	369	44,597	352	6,617	640	1,591	(846)	69,986	61,059
Total assets	$ 225,892	18,620	1,660	15,224	2,443	194,937	9,451	15,377	19,504	503,108	553,909
Liabilities and Net Assets											
Current Liabilities:											
Current portion of long-term debt	800	100	(4)	-	-	-	-	-	-	896	1,896
Accounts payable	15,689	236	253	7,280	(93)	11,221	349	3,002	10	37,947	41,324
Accrued salaries, wages and benefits	17,115	189	48	2,544	101	1,587	141	1,455	-	23,180	17,339
Other accrued expenses	6,225	26	-	3,122	-	1,868	85	196	1	11,523	6,373
Due to (from) affiliate	5,202	(26)	(4,048)	-	-	20	(7)	(424)	(9)	708	708
Total current liabilities	45,031	525	(3,751)	12,946	8	14,696	568	4,229	2	74,254	67,640
Long-term debt, less current portion	22,246	3,600	-	-	-	-	-	-	-	25,846	37,807
Other long-term liabilities and deferred credit	30,292	611	4,152	11,683	1	11,383	608	3,688	2	62,420	72,541
Due to (from) affiliate, less current portion	(11,934)	-	2,320	46,739	-	(2,691)	3,498	2,194	20,350	60,476	131,135
Total liabilities	85,635	4,736	2,721	71,368	9	23,388	4,674	10,111	20,354	222,996	309,123
Unrestricted-controlling interest	140,134	13,884	(2,228)	(56,128)	2,434	170,644	4,758	(85,724)	(850)	186,924	165,574
Unrestricted-noncontrolling interest	-	-	1,167	-	-	-	-	85,421	-	86,588	72,701
Total unrestricted	140,134	13,884	(1,061)	(56,128)	2,434	170,644	4,758	(303)	(850)	273,512	238,275
Temporarily restricted	123	-	-	(16)	-	848	19	4,165	-	5,139	4,676
Permanently restricted	-	-	-	-	-	57	-	1,404	-	1,461	1,835
Total net assets	140,257	13,884	(1,061)	(56,144)	2,434	171,549	4,777	5,266	(850)	280,112	244,786
	$ 225,892	18,620	1,660	15,224	2,443	194,937	9,451	15,377	19,504	503,108	553,909

See accompanying indepedent auditors' report

Schedule 1.4

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

		Bon Secours Richmond Health Corporation								
		St. Mary's Hospital of Richmond, Inc.	**Richmond Community Hospital**	**St. Francis Medical Center**	**Memorial Regional Medical Center**	**Bon Secours Healthsource Company Group**	**Other Corporations**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Assets										
Current assets:										
Cash and cash equivalents	$	273,421	(26,738)	(12,097)	165,472	(32,982)	(22,063)	53,016	398,029	333,320
Accounts receivable, net:										
Patient and third-party payors		63,032	8,818	29,388	43,337	9,122	1,793	1	155,491	130,749
Other		3,402	1,151	2,215	3,698	359	5,562	3	16,390	18,245
Total accounts receivable, net		66,434	9,969	31,603	47,035	9,481	7,355	4	171,881	148,994
Assets limited or restricted as to use		1,276	2	-	13	-	8,518	-	9,809	7,454
Inventories		6,174	1,295	3,799	5,681	519	1,331	1	18,800	18,315
Assets held for sale		-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets		796	262	965	879	5,226	3,387	(2)	11,513	15,127
Total current assets		348,101	(15,210)	24,270	219,080	(17,756)	(1,472)	53,019	610,032	523,210
Assets limited as to use and restricted, less current portion		331,117	-	-	13,493	-	15,043	-	359,653	326,412
Property, plant and equipment, net		141,907	11,060	108,591	85,656	17,323	2,613	-	367,150	374,049
Goodwill and other assets, net		19,150	2,085	7,095	10,319	9,433	8,494	-	56,576	53,193
Total assets	$	840,275	(2,065)	139,956	328,548	9,000	24,678	53,019	1,393,411	1,276,864
Liabilities and Net Assets										
Current Liabilities:										
Current portion of long-term debt		2,467	-	-	3,430	-	-	-	5,897	6,417
Accounts payable		20,642	1,964	8,435	12,374	1,793	10,663	2	55,873	57,069
Accrued salaries, wages and benefits		41,901	71	9	470	87	145	(1)	42,682	35,476
Other accrued expenses		7,654	997	3,927	9,470	2,219	880	1	25,148	18,530
Due to (from) affiliate		-	-	-	-	-	-	-	-	-
Total current liabilities		72,664	3,032	12,371	25,744	4,099	11,688	2	129,600	117,492
Long-term debt, less current portion		42,438	-	-	16,050	-	-	-	58,488	64,385
Other long-term liabilities and deferred credit		129,317	2,785	12,100	58,380	4,255	3,689	1	210,527	267,301
Due to (from) affiliate, less current portior		37,689	2,584	80,000	41,880	-	-	53,016	215,169	213,930
Total liabilities		282,108	8,401	104,471	142,054	8,354	15,377	53,019	613,784	663,108
Unrestricted-controlling interest		558,094	(10,468)	35,485	186,364	(7,101)	(142,991)	-	619,383	484,198
Unrestricted-noncontrolling interes		-	-	-	-	7,747	125,496	-	133,243	104,371
Total unrestricted		558,094	(10,468)	35,485	186,364	646	(17,495)	-	752,626	588,569
Temporarily restricted		73	2	-	10	-	23,094	-	23,179	21,396
Permanently restrictec		-	-	-	120	-	3,702	-	3,822	3,791
Total net assets		558,167	(10,466)	35,485	186,494	646	9,301	-	779,627	613,756
	$	840,275	(2,065)	139,956	328,548	9,000	24,678	53,019	1,393,411	1,276,864

See accompanying indepedent auditors' report

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours St. Francis Health System, Inc.								
	St. Francis - Downtown	St. Francis - Eastside	St. Francis Physician Services	Upstate Surgery Center	St Francis - Millennium	St. Francis Foundation	Consolidating Eliminations	2013 Consolidated	2012 Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$ 147,006	179,919	(185,459)	1,003	(8,521)	1,207	194,981	330,136	288,427
Accounts receivable, net:									
Patient and third-party payors	51,951	22,011	10,909	477	1,516	-	(1)	86,863	71,493
Other	3,632	29	189	1	-	472	(1)	4,322	6,826
Total accounts receivable, net	55,583	22,040	11,098	478	1,516	472	(2)	91,185	78,319
Assets limited or restricted as to use	-	-	-	-	-	282	-	282	447
Inventories	12,125	2,620	63	66	-	-	-	14,874	13,524
Assets held for sale	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	1,152	116	3,503	-	191	58	1	5,021	4,193
Total current assets	215,866	204,695	(170,795)	1,547	(6,814)	2,019	194,980	441,498	384,910
Assets limited as to use and restricted, less current portion	19,558	-	-	-	-	4,661	-	24,219	22,042
Property, plant and equipment, net	107,785	56,720	-	312	246	-	-	165,063	157,930
Goodwill and other assets, net	90,933	-	14,756	296	-	1,072	1	107,058	106,587
Total assets	$ 434,142	261,415	(156,039)	2,155	(6,568)	7,752	194,981	737,838	671,469
Liabilities and Net Assets									
Current Liabilities:									
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	19,050	5,575	2,353	145	171	-	-	27,294	27,527
Accrued salaries, wages and benefits	10,718	2,152	5,365	41	160	-	1	18,437	17,836
Other accrued expenses	3,985	324	1,171	70	64	-	-	5,614	5,516
Due to (from) affiliate	(95)	-	-	-	-	-	-	(95)	15
Total current liabilities	33,658	8,051	8,889	256	395	-	1	51,250	50,894
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	8,343	7,989	14,685	-	1	-	-	31,018	30,358
Due to (from) affiliate, less current portion	259,300	-	-	-	-	-	194,980	454,280	413,125
Total liabilities	301,301	16,040	23,574	256	396	-	194,981	536,548	494,377
Unrestricted-controlling interest	132,841	245,375	(179,613)	920	(6,964)	4,154	-	196,713	173,060
Unrestricted-noncontrolling interest	-	-	-	979	-	-	-	979	926
Total unrestricted	132,841	245,375	(179,613)	1,899	(6,964)	4,154	-	197,692	173,986
Temporarily restricted	-	-	-	-	-	3,117	-	3,117	2,632
Permanently restricted	-	-	-	-	-	481	-	481	474
Total net assets	132,841	245,375	(179,613)	1,899	(6,964)	7,752	-	201,290	177,092
	$ 434,142	261,415	(156,039)	2,155	(6,568)	7,752	194,981	737,838	671,469

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**OLBH Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Assets						
Current assets:						
Cash and cash equivalents	$ 24,010	567	(46,670)	47,004	24,911	19,027
Accounts receivable, net:						
Patient and third-party payors	16,365	-	1,582	-	17,947	21,403
Other	2,126	130	647	-	2,903	952
Total accounts receivable, net	18,491	130	2,229	-	20,850	22,355
Assets limited or restricted as to use	-	-	-	-	-	-
Inventories	3,413	-	266	-	3,679	3,726
Assets held for sale	-	-	-	-	-	-
Prepaid expenses and other current assets	1,308	-	1,777	-	3,085	2,771
Total current assets	47,222	697	(42,398)	47,004	52,525	47,879
Assets limited as to use and restricted, less current portion	8,419	2,360	-	1	10,780	10,356
Property, plant and equipment, net	52,241	-	948	-	53,189	54,208
Goodwill and other assets, net	9,601	112	7	-	9,720	9,392
Total assets	$ 117,483	3,169	(41,443)	47,005	126,214	121,835
Liabilities and Net Assets						
Current Liabilities:						
Current portion of long-term debt	-	-	-	-	-	-
Accounts payable	6,395	-	494	1	6,890	6,691
Accrued salaries, wages and benefits	3,838	-	849	-	4,687	4,777
Other accrued expenses	3,692	-	(2)	-	3,690	6,639
Due to (from) affiliate	(14)	-	14	-	-	(36)
Total current liabilities	13,911	-	1,355	1	15,267	18,071
Long-term debt, less current portion	-	-	-	-	-	-
Other long-term liabilities and deferred credit	42,972	-	-	-	42,972	60,702
Due to (from) affiliate, less current portion	-	-	-	47,005	47,005	33,921
Total liabilities	56,883	-	1,355	47,006	105,244	112,694
Unrestricted-controlling interest	60,599	577	(42,798)	-	18,378	6,047
Unrestricted-noncontrolling interest	-	-	-	-	-	-
Total unrestricted	60,599	577	(42,798)	-	18,378	6,047
Temporarily restricted	1	1,301	-	(1)	1,301	1,806
Permanently restricted	-	1,291	-	-	1,291	1,288
Total net assets	60,600	3,169	(42,798)	(1)	20,970	9,141
	$ 117,483	3,169	(41,443)	47,005	126,214	121,835

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	**Frances Schervier Housing Development**	**Bon Secours New York Parent Corp.**	**Schervier Long Term Home Health Care**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Assets							
Current assets:							
Cash and cash equivalents	$ (4,448)	190	-	1	5,463	1,206	2,770
Accounts receivable, net:							
Patient and third-party payors	7,947	-	-	865	-	8,812	7,257
Other	214	16	-	-	-	230	196
Total accounts receivable, net	8,161	16	-	865	-	9,042	7,453
Assets limited or restricted as to use	4,596	-	-	-	-	4,596	4,197
Inventories	99	-	-	-	-	99	136
Assets held for sale	-	-	-	-	-	-	-
Prepaid expenses and other current assets	245	34	-	-	-	279	300
Total current assets	8,653	240	-	866	5,463	15,222	14,856
Assets limited as to use and restricted, less current portion	3,210	132	-	-	-	3,342	4,153
Property, plant and equipment, net	18,098	4,170	-	123	-	22,391	22,588
Goodwill and other assets, net	4,497	47	-	49	-	4,593	4,573
Total assets	$ 34,458	4,589	-	1,038	5,463	45,548	46,170
Liabilities and Net Assets							
Current Liabilities:							
Current portion of long-term debt	1,495	244	-	-	-	1,739	1,659
Accounts payable	1,660	83	8	1,003	-	2,754	3,270
Accrued salaries, wages and benefits	2,355	5	23	73	(1)	2,455	2,356
Other accrued expenses	671	-	-	-	-	671	680
Due to (from) affiliate	(46)	33	13	(114)	-	(114)	-
Total current liabilities	6,135	365	44	962	(1)	7,505	7,965
Long-term debt, less current portion	28,825	6,000	-	-	-	34,825	36,604
Other long-term liabilities and deferred credit	10,889	47	-	165	(6)	11,095	11,488
Due to (from) affiliate, less current portion	6,140	1,157	703	(8,001)	5,469	5,468	5
Total liabilities	51,989	7,569	747	(6,874)	5,462	58,893	56,062
Unrestricted-controlling interest	(18,815)	(2,985)	(747)	7,887	-	(14,660)	(11,587)
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-
Total unrestricted	(18,815)	(2,985)	(747)	7,887	-	(14,660)	(11,587)
Temporarily restricted	1,284	5	-	25	1	1,315	1,695
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(17,531)	(2,980)	(747)	7,912	1	(13,345)	(9,892)
	$ 34,458	4,589	-	1,038	5,463	45,548	46,170

See accompanying indepedent auditors' report

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Charity Health System, Inc.										
	Good Samaritan Hospital	**St. Anthony Community Hospital**	**Bon Secours Community Hospital**	**Schervier Pavilion**	**Mt. Alverno Assisted Living Facility**	**GSH Medical Care PC**	**Good Samaritan Hospital Home Care**	**Other Corporations**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Assets											
Current assets:											
Cash and cash equivalents	$ (90,551)	14,647	(11,017)	(5,608)	(3,516)	(41,752)	5,672	274	134,013	2,162	1,771
Accounts receivable, net:											
Patient and third-party payors	40,908	7,644	11,175	1,384	230	2,553	1,913	-	1	65,808	58,578
Other	2,703	22	44	1	21	27	(14)	4	1	2,809	8,108
Total accounts receivable, net	43,611	7,666	11,219	1,385	251	2,580	1,899	4	2	68,617	66,686
Assets limited or restricted as to use	-	-	-	-	-	-	-	474	-	474	-
Inventories	4,232	1,206	1,120	-	-	-	-	-	-	6,558	6,519
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	619	30	171	46	26	1,020	-	-	-	1,912	1,953
Total current assets	(42,089)	23,549	1,493	(4,177)	(3,239)	(38,152)	7,571	752	134,015	79,723	76,929
Assets limited as to use and restricted, less current portion	4,750	-	30	-	-	-	250	4,705	1	9,736	23,262
Property, plant and equipment, net	83,654	13,919	12,290	5,517	3,617	1,813	120	-	(1)	120,929	115,565
Goodwill and other assets, net	22,485	6,506	22,222	1,218	451	2,761	176	959	(3)	56,775	62,924
Total assets	$ 68,800	43,974	36,035	2,558	829	(33,578)	8,117	6,416	134,012	267,163	278,680
Liabilities and Net Assets											
Current Liabilities:											
Current portion of long-term debt	640	-	-	-	-	659	-	-	-	1,299	1,347
Accounts payable	9,786	2,415	2,521	391	200	644	625	6	(21)	16,567	23,028
Accrued salaries, wages and benefits	15,178	1,856	3,242	470	159	3,144	88	-	(1)	24,136	21,121
Other accrued expenses	9,761	3,452	3,573	92	16	-	554	-	(1)	17,447	8,203
Due to (from) affiliate	(6,662)	20	2	1	-	(2)	5,021	1,726	22	128	88
Total current liabilities	28,703	7,743	9,338	954	375	4,445	6,288	1,732	(1)	59,577	53,787
Long-term debt, less current portion	52,229	-	13,790	13,700	-	117	-	-	(1)	79,835	81,134
Other long-term liabilities and deferred credit	32,727	4,797	23,365	2,547	822	1,506	36	-	1	65,801	71,132
Due to (from) affiliate, less current portion			-	-	-	-	-	-	134,013	134,013	134,953
Total liabilities	113,659	12,540	46,493	17,201	1,197	6,068	6,324	1,732	134,012	339,226	341,006
Unrestricted-controlling interest	(45,353)	31,434	(10,488)	(14,643)	(368)	(39,646)	1,543	(986)	1	(78,506)	(67,786)
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted	(45,353)	31,434	(10,488)	(14,643)	(368)	(39,646)	1,543	(986)	1	(78,506)	(67,786)
Temporarily restricted	494	-	30	-	-	-	250	5,015	(1)	5,788	4,805
Permanently restricted	-	-	-	-	-	-	-	655	-	655	655
Total net assets	(44,859)	31,434	(10,458)	(14,643)	(368)	(39,646)	1,793	4,684	-	(72,063)	(62,326)
	$ 68,800	43,974	36,035	2,558	829	(33,578)	8,117	6,416	134,012	267,163	278,680

See accompanying indepedent auditors' report

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

		Bon Secours St. Petersburg Health System, Inc.						
		Maria Manor Nursing Care Center, Inc.	**Bon Secours Place at St. Petersburg**	**Maria Manor Health Resources**	**St. Petersburg Home Care Services, Inc.**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Assets								
Current assets:								
Cash and cash equivalents	$	1,480	1,503	-	(955)	-	2,028	680
Accounts receivable, net:								
Patient and third-party payors		2,365	-	-	360	-	2,725	3,943
Other		-	170	-	-	-	170	31
Total accounts receivable, net		2,365	170	-	360	-	2,895	3,974
Assets limited or restricted as to use		333	-	-	-	-	333	261
Inventories		91	-	-	-	-	91	81
Assets held for sale		-	-	-	-	-	-	-
Prepaid expenses and other current assets		85	183	-	1	-	269	355
Total current assets		4,354	1,856	-	(594)	-	5,616	5,351
Assets limited as to use and restricted, less current portion		-	-	-	-	-	-	-
Property, plant and equipment, net		4,815	6,657	-	31	-	11,503	11,905
Goodwill and other assets, net		1,384	645	1,000	(1)	(998)	2,030	3,238
Total assets	$	10,553	9,158	1,000	(564)	(998)	19,149	20,494
Liabilities and Net Assets								
Current Liabilities:								
Current portion of long-term debt		-	-	-	-	-	-	-
Accounts payable		798	3	-	36	3	840	914
Accrued salaries, wages and benefits		946	121	-	24	1	1,092	1,139
Other accrued expenses		121	235	-	12	-	368	363
Due to (from) affiliate		(675)	332	3	665	(3)	322	320
Total current liabilities		1,190	691	3	737	1	2,622	2,736
Long-term debt, less current portion		-	61	-	-	-	61	-
Other long-term liabilities and deferred credit		2,098	645	-	6	1	2,750	4,037
Due to (from) affiliate, less current portion		10,700	4,785	-	-	-	15,485	15,811
Total liabilities		13,988	6,182	3	743	2	20,918	22,584
Unrestricted-controlling interest		(3,768)	2,466	997	(1,307)	(1,000)	(2,612)	(2,849)
Unrestricted-noncontrolling interest		-	510	-	-	-	510	498
Total unrestricted		(3,768)	2,976	997	(1,307)	(1,000)	(2,102)	(2,351)
Temporarily restricted		333	-	-	-	-	333	261
Permanently restricted		-	-	-	-	-	-	-
Total net assets		(3,435)	2,976	997	(1,307)	(1,000)	(1,769)	(2,090)
	$	10,553	9,158	1,000	(564)	(998)	19,149	20,494

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Balance Sheet Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership 2		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Assets										
Current assets:										
Cash and cash equivalents	$ -	-	918	2,456	1,510	-	-	-	-	-
Accounts receivable, net:										
Patient and third-party payors	-	-	-	-	-	-	-	-	-	-
Other	-	-	386	492	518	-	-	-	4,899	3,560
Total accounts receivable, net	-	-	386	492	518	-	-	-	4,899	3,560
Assets limited or restricted as to use	-	-	-	-	-	-	18,333	18,710	26,749	25,978
Inventories	-	-	-	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-	-	-	-	10,353	8,522
Total current assets	-	-	1,304	2,948	2,028	-	18,333	18,710	42,001	38,060
Assets limited as to use and restricted, less current portion	-	454	-	-	-	-	82,521	68,808	293,102	279,047
Property, plant and equipment, net	-	-	2,942	3,378	917	-	-	-	166,569	172,098
Goodwill and other assets, net	1,721	1,267	20,262	33,346	12,252	-	18,565	26,065	179,321	151,642
Total assets	$ 1,721	1,721	24,508	39,672	15,197	-	119,419	113,583	680,993	640,847
Liabilities and Net Assets										
Current Liabilities:										
Current portion of long-term debt	-	-	-	-	-	-	-	-	21,155	15,784
Accounts payable	-	-	1,308	2,228	1,894	-	-	-	24,706	27,080
Accrued salaries, wages and benefits	-	-	-	-	-	-	-	-	25,320	22,892
Other accrued expenses	-	-	-	-	-	-	18,333	18,710	45,625	45,986
Due to (from) affiliate	-	-	8	-	-	-	-	-	(892)	(964)
Total current liabilities	-	-	1,316	2,228	1,894	-	18,333	18,710	115,914	110,778
Long-term debt, less current portion	-	-	15,966	27,576	9,892	-	-	-	838,879	841,443
Other long-term liabilities and deferred credit	-	1	-	5,391	1,974	-	101,086	94,873	216,628	291,738
Due to (from) affiliate, less current portion	-	-	3,283	-	-	-	-	-	(497,861)	(495,548)
Total liabilities	-	1	20,565	35,195	13,760	-	119,419	113,583	673,560	748,411
Unrestricted-controlling interest	1,721	1,720	3,943	2,194	704	-	-	-	173	(114,824)
Unrestricted-noncontrolling interest	-	-	-	2,283	733	-	-	-	-	-
Total unrestricted	1,721	1,720	3,943	4,477	1,437	-	-	-	173	(114,824)
Temporarily restricted	-	-	-	-	-	-	-	-	7,260	7,260
Permanently restricted	-	-	-	-	-	-	-	-	-	-
Total net assets	1,721	1,720	3,943	4,477	1,437	-	-	-	7,433	(107,564)
	$ 1,721	1,721	24,508	39,672	15,197	-	119,419	113,583	680,993	640,847

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours Charity Health System, Inc.	Bon Secours St. Petersburg Health System, Inc.
Revenues:								
Net patient service revenue before bad debts	$ 123,540	701,100	1,270,231	644,173	179,350	50,668	445,296	25,816
Provision for patient bad debts, net	(13,200)	(68,932)	(60,535)	(51,588)	(15,253)	(1,231)	(5,131)	(424)
Net patient service revenue	110,340	632,168	1,209,696	592,585	164,097	49,437	440,165	25,392
Other revenue	4,880	37,286	15,753	12,834	5,769	698	6,028	5,029
Total revenues	115,220	669,454	1,225,449	605,419	169,866	50,135	446,193	30,421
Expenses:								
Salaries, wages and benefits	65,530	300,503	556,875	306,683	88,957	30,887	251,726	17,313
Supplies	12,308	134,779	205,541	120,706	27,112	2,945	58,664	2,903
Purchased services and other	43,217	190,029	299,069	126,042	47,482	17,886	125,260	8,035
Depreciation and amortization	3,895	30,580	53,565	18,258	10,178	1,588	15,713	886
Interest	1,428	5,953	15,241	6,946	2,289	1,810	4,649	630
Total expenses	126,378	661,844	1,130,291	578,635	176,018	55,116	456,012	29,767
Operating income (loss) from continuing operations	(11,158)	7,610	95,158	26,784	(6,152)	(4,981)	(9,819)	654
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	1,466	12,827	33,464	2,124	1,200	(12)	168	(17)
Loss on early retirement of debt	(220)	(265)	-	-	-	-	-	-
Gain (loss) on sale of asset, net	661	-	(608)	(25)	6	-	-	-
Other nonoperating activities, net	(745)	(2,220)	(23,916)	238	(2,138)	(67)	(3,075)	(8)
Excess (deficit) of continuing revenues over expenses	(9,996)	17,952	104,098	29,121	(7,084)	(5,060)	(12,726)	629
Gain on discontinued operations, net	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	(9,996)	17,952	104,098	29,121	(7,084)	(5,060)	(12,726)	629
Other changes in unrestricted net assets:								
Grants for capital	142	-	-	-	-	-	5,940	-
Net change in unrealized gains (losses) on other-than-trading securities	421	143	(143)	19	(369)	1	53	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	407	-	-	458	44	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	(5,152)	(219)	-	-	-	-
Pension and other post retirement adjustments	10,671	11,930	76,574	-	21,538	1,529	(423)	-
Transfers to affiliates and other changes, net	(1,766)	5,212	(11,726)	(5,216)	(1,753)	-	(3,609)	(381)
Increase (decrease) in unrestricted net assets	$ (528)	35,237	164,058	23,705	12,332	(3,072)	(10,721)	248

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Associates, LLC	Shannon MOB Partnership	BSB Health MOB Partnership 2	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2013 Consolidated	2012 Consolidated
Revenues:								
Net patient service revenue before bad debts	$ -	-	-	-	-	1	3,440,175	3,330,158
Provision for patient bad debts, net	-	-	-	-	-	(1)	(216,295)	(242,585)
Net patient service revenue	-	-	-	-	-	-	3,223,880	3,087,573
Other revenue	-	-	-	28,903	222,499	(206,149)	133,530	118,344
Total revenues	-	-	-	28,903	222,499	(206,149)	3,357,410	3,205,917
Expenses:								
Salaries, wages and benefits	-	-	-	-	100,201	(1,402)	1,717,273	1,618,264
Supplies	-	-	-	-	863	9	565,830	559,808
Purchased services and other	-	-	-	28,903	56,000	(164,289)	777,634	738,878
Depreciation and amortization	-	-	-	-	39,695	(38,992)	135,366	128,614
Interest	-	-	-	-	(1,338)	(222)	37,386	42,358
Total expenses	-	-	-	28,903	195,421	(204,896)	3,233,489	3,087,922
Operating income (loss) from continuing operations	-	-	-	-	27,078	(1,253)	123,921	117,995
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	-	-	-	44,513	(3)	95,730	33,032
Loss on early retirement of debt	-	-	-	-	(7,844)	1	(8,328)	(602)
Gain (loss) on sale of asset, net	-	-	-	-	-	(1)	33	2,836
Other nonoperating activities, net	-	437	467	-	(9,325)	(1,854)	(42,206)	(41,220)
Excess (deficit) of continuing revenues over expenses	-	437	467	-	54,422	(3,110)	169,150	112,041
Gain on discontinued operations, net	-	-	-	-	1,700	-	1,700	2,872
Excess (deficit) of revenues over expenses	-	437	467	-	56,122	(3,110)	170,850	114,913
Other changes in unrestricted net assets:								
Grants for capital	-	-	-	-	-	(1)	6,081	5,235
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	(2,005)	(1)	(1,881)	438
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	1	910	3,537
Net change in equity of joint ventures	-	-	-	-	986	-	986	3,301
Distributions to noncontrolling interest owners	-	(1,300)	-	-	-	-	(6,671)	(7,042)
Pension and other post retirement adjustments	-	-	-	-	49,498	1	171,318	(129,968)
Transfers to affiliates and other changes, net	-	329	971	-	10,396	(2)	(7,545)	(4,063)
Increase (decrease) in unrestricted net assets	$ -	(534)	1,438	-	114,997	(3,112)	334,048	(13,649)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Baltimore Health Corporation						
	Bon Secours Hospital Baltimore	**BS Community Health Services**	**Bon Secours of Maryland Foundation**	**BS Baltimore HS Foundation**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:							
Net patient service revenue before bad debts	$ 123,540	-	-	-	-	123,540	136,084
Provision for patient bad debts, net	(13,200)	-	-	-	-	(13,200)	(15,716)
Net patient service revenue	110,340	-	-	-	-	110,340	120,368
Other revenue	3,165	-	4,689	-	(2,974)	4,880	5,501
Total revenues	113,505	-	4,689	-	(2,974)	115,220	125,869
Expenses:							
Salaries, wages and benefits	64,050	-	1,481	-	(1)	65,530	63,277
Supplies	12,235	-	131	-	(58)	12,308	13,218
Purchased services and other	42,997	-	2,646	-	(2,426)	43,217	42,528
Depreciation and amortization	3,814	-	1,542	-	(1,461)	3,895	3,384
Interest	1,428	-	710	-	(710)	1,428	2,045
Total expenses	124,524	-	6,510	-	(4,656)	126,378	124,452
Operating income (loss) from continuing operations	(11,019)	-	(1,821)	-	1,682	(11,158)	1,417
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	1,004	-	250	212	-	1,466	1,011
Loss on early retirement of debt	(220)	-	-	-	-	(220)	-
Gain (loss) on sale of asset, net	661	-	-	-	-	661	565
Other nonoperating activities, net	(53)	-	(408)	(284)	-	(745)	(2,171)
Excess (deficit) of continuing revenues over expenses	(9,627)	-	(1,979)	(72)	1,682	(9,996)	822
Gain on discontinued operations, net	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	(9,627)	-	(1,979)	(72)	1,682	(9,996)	822
Other changes in unrestricted net assets:							
Grants for capital	142	-	-	-	-	142	-
Net change in unrealized gains (losses) on other-than-trading securities	(1)	-	-	421	1	421	261
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Pension and other post retirement adjustments	10,671	-	-	-	-	10,671	(7,312)
Transfers to affiliates and other changes, net	(1,645)	-	1,672	(588)	(1,205)	(1,766)	(2,272)
Increase (decrease) in unrestricted net assets	$ (460)	-	(307)	(239)	478	(528)	(8,501)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 325,877	9,779	-	174,323	-	182,522	8,600	-	(1)	701,100	671,897
Provision for patient bad debts, net	(35,167)	(116)	-	(20,541)	-	(12,856)	(253)	-	1	(68,932)	(64,086)
Net patient service revenue	290,710	9,663	-	153,782	-	169,666	8,347	-	-	632,168	607,811
Other revenue	10,372	31	7,193	12,395	3,180	4,091	24	77,218	(77,218)	37,286	27,435
Total revenues	301,082	9,694	7,193	166,177	3,180	173,757	8,371	77,218	(77,218)	669,454	635,246
Expenses:											
Salaries, wages and benefits	131,816	5,474	3,814	69,456	507	53,017	4,060	32,360	(1)	300,503	284,918
Supplies	49,367	1,094	594	30,476	2,270	47,152	1,033	2,792	1	134,779	132,749
Purchased services and other	107,664	2,442	1,854	63,404	182	47,285	3,106	41,310	(77,218)	190,029	182,107
Depreciation and amortization	13,484	184	382	9,200	-	6,357	218	755	-	30,580	20,964
Interest	2,498	82	88	1,822	-	1,391	72	-	-	5,953	6,713
Total expenses	304,829	9,276	6,732	174,358	2,959	155,202	8,489	77,217	(77,218)	661,844	627,451
Operating income (loss) from continuing operations	(3,747)	418	461	(8,181)	221	18,555	(118)	1	-	7,610	7,795
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	8,928	25	3	958	(2)	2,819	10	86	-	12,827	9,093
Loss on early retirement of debt	(120)	-	-	(64)	-	(81)	-	-	-	(265)	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-	16
Other nonoperating activities, net	(334)	-	(939)	(292)	-	(726)	-	70	1	(2,220)	(2,118)
Excess (deficit) of continuing revenues over expenses	4,727	443	(475)	(7,579)	219	20,567	(108)	157	1	17,952	14,786
Gain on discontinued operations, net	-	-	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	4,727	443	(475)	(7,579)	219	20,567	(108)	157	1	17,952	14,786
Other changes in unrestricted net assets:											
Grants for capital	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	66	-	77	-	143	97
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	-	-	-	33
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	8,351	-	-	1,790	-	1,790	-	-	(1)	11,930	(2,905)
Transfers to affiliates and other changes, net	(1,799)	(60)	-	(1,500)	-	8,451	(53)	173	-	5,212	(4,792)
Increase (decrease) in unrestricted net assets	$ 11,279	383	(475)	(7,289)	219	30,874	(161)	407	-	35,237	7,219

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Richmond Health Corporation								
	St. Mary's Hospital of Richmond, Inc.	**Richmond Community Hospital**	**St. Francis Medical Center**	**Memorial Regional Medical Center**	**Bon Secours Healthsource Company Group**	**Other Corporations**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:									
Net patient service revenue before bad debts	$ 518,466	73,032	254,255	354,273	57,603	14,264	(1,662)	1,270,231	1,202,114
Provision for patient bad debts, net	(16,396)	(7,073)	(13,213)	(22,053)	(1,370)	(430)	-	(60,535)	(81,077)
Net patient service revenue	502,070	65,959	241,042	332,220	56,233	13,834	(1,662)	1,209,696	1,121,037
Other revenue	6,153	1,318	3,187	3,992	619	187,496	(187,012)	15,753	21,114
Total revenues	508,223	67,277	244,229	336,212	56,852	201,330	(188,674)	1,225,449	1,142,151
Expenses:									
Salaries, wages and benefits	199,225	20,842	84,365	128,615	30,480	93,349	(1)	556,875	504,039
Supplies	82,092	12,122	38,923	53,359	3,648	15,396	1	205,541	203,505
Purchased services and other	165,172	20,953	86,656	123,614	13,722	77,628	(188,676)	299,069	267,661
Depreciation and amortization	15,237	1,678	8,154	8,069	3,993	16,433	1	53,565	53,362
Interest	4,937	2	4,939	5,364	-	-	(1)	15,241	17,477
Total expenses	466,663	55,597	223,037	319,021	51,843	202,806	(188,676)	1,130,291	1,046,044
Operating income (loss) from continuing operations	41,560	11,680	21,192	17,191	5,009	(1,476)	2	95,158	96,107
Nonoperating gains (losses), net:									
Nonoperating investment gains (losses), net	31,731	(105)	(102)	1,000	(79)	1,021	(2)	33,464	23,382
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	(608)	-	-	-	-	-	-	(608)	2,254
Other nonoperating activities, net	(7,573)	(826)	(2,654)	(7,993)	(1,225)	(3,647)	2	(23,916)	(23,860)
Excess (deficit) of continuing revenues over expenses	65,110	10,749	18,436	10,198	3,705	(4,102)	2	104,098	97,883
Gain on discontinued operations, net	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	65,110	10,749	18,436	10,198	3,705	(4,102)	2	104,098	97,883
Other changes in unrestricted net assets:									
Grants for capital	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	(10)	-	-	(28)	-	(104)	(1)	(143)	122
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	16	212	77	-	103	(1)	407	412
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owner	-	-	-	-	(5,152)	-	-	(5,152)	(6,848)
Pension and other post retirement adjustment	52,561	-	-	24,014	-	-	(1)	76,574	(60,488)
Transfers to affiliates and other changes, net	(9,358)	245	(3,778)	(4,014)	-	5,178	1	(11,726)	(13,098)
Increase (decrease) in unrestricted net assets	$ 108,303	11,010	14,870	30,247	(1,447)	1,075	-	164,058	17,983

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours St. Francis Health System, Inc.								
	St. Francis - Downtown	St. Francis - Eastside	St. Francis Physician Services	Upstate Surgery Center	St. Francis - Millennium	St. Francis Foundation	Consolidating Eliminations	2013 Consolidated	2012 Consolidated
Revenues:									
Net patient service revenue before bad debts	$ 336,641	164,134	133,028	4,077	6,292	-	1	644,173	622,169
Provision for patient bad debts, net	(34,300)	(12,495)	(4,305)	(224)	(264)	-	-	(51,588)	(43,453)
Net patient service revenue	302,341	151,639	128,723	3,853	6,028	-	1	592,585	578,716
Other revenue	2,613	(125)	9,306	1	1,039	-	-	12,834	16,033
Total revenues	304,954	151,514	138,029	3,854	7,067	-	1	605,419	594,749
Expenses:									
Salaries, wages and benefits	108,093	59,507	133,540	1,405	4,139	-	(1)	306,683	294,167
Supplies	81,692	24,566	12,998	1,016	435	-	(1)	120,706	120,672
Purchased services and other	68,106	23,568	30,245	696	3,427	-	-	126,042	120,571
Depreciation and amortization	14,677	3,144	286	79	72	-	-	18,258	18,917
Interest	4,112	2,834	-	-	-	-	-	6,946	8,791
Total expenses	276,680	113,619	177,069	3,196	8,073	-	(2)	578,635	563,118
Operating income (loss) from continuing operations	28,274	37,895	(39,040)	658	(1,006)	-	3	26,784	31,631
Nonoperating gains (losses), net:									
Nonoperating investment gains (losses), net	1,983	124	(168)	(1)	(9)	194	1	2,124	1,640
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	12	(37)	-	-	-	-	-	(25)	7
Other nonoperating activities, net	(354)	(3)	-	(14)	-	608	1	238	205
Excess (deficit) of continuing revenues over expenses	29,915	37,979	(39,208)	643	(1,015)	802	5	29,121	33,483
Gain on discontinued operations, net	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	29,915	37,979	(39,208)	643	(1,015)	802	5	29,121	33,483
Other changes in unrestricted net assets:									
Grants for capital	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	19	-	19	26
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owner	-	-	-	(219)	-	-	-	(219)	(194)
Pension and other post retirement adjustment	-	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(3,606)	(1,350)	-	(304)	-	44	-	(5,216)	(6,283)
Increase (decrease) in unrestricted net assets	$ 26,309	36,629	(39,208)	120	(1,015)	865	5	23,705	27,032

Schedule 2.6

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**OLBH Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 154,225	-	25,126	(1)	179,350	172,173
Provision for patient bad debts, net	(13,485)	-	(1,769)	1	(15,253)	(11,706)
Net patient service revenue	140,740	-	23,357	-	164,097	160,467
Other revenue	4,686	-	1,084	(1)	5,769	7,960
Total revenues	145,426	-	24,441	(1)	169,866	168,427
Expenses:						
Salaries, wages and benefits	62,323	-	26,634	-	88,957	80,859
Supplies	25,187	-	1,925	-	27,112	23,431
Purchased services and other	40,409	1	7,073	(1)	47,482	48,823
Depreciation and amortization	9,400	-	778	-	10,178	10,409
Interest	2,289	-	-	-	2,289	2,893
Total expenses	139,608	1	36,410	(1)	176,018	166,415
Operating income (loss) from continuing operations	5,818	(1)	(11,969)	-	(6,152)	2,012
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	894	379	(73)	-	1,200	622
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net	6	-	-	-	6	(7)
Other nonoperating activities, net	(1,690)	(442)	(6)	-	(2,138)	(2,693)
Excess (deficit) of continuing revenues over expenses	5,028	(64)	(12,048)	-	(7,084)	(66)
Gain on discontinued operations, net	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	5,028	(64)	(12,048)	-	(7,084)	(66)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	(369)	-	-	(369)	117
Net assets released from restrictions used for the purchase of property, plant, and equipment	9	(9)	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	21,538	-	-	-	21,538	(17,914)
Transfers to affiliates and other changes, net	(2,153)	399	-	1	(1,753)	(2,116)
Increase (decrease) in unrestricted net assets	$ 24,422	(43)	(12,048)	1	12,332	(19,979)

See accompanying auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
Consolidating Schedule - Operating Information
(in thousands)
Year ended August 31, 2013
(with comparative totals for 2012)

Schedule 2.7

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	**Frances Schervier Housing Development**	**Bon Secours New York Parent Corp.**	**Schervier Long Term Home Health Care**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:							
Net patient service revenue before bad debts	$ 43,289	-	-	7,379	-	50,668	52,032
Provision for patient bad debts, net	(992)	-	-	(239)	-	(1,231)	(630)
Net patient service revenue	42,297	-	-	7,140	-	49,437	51,402
Other revenue	685	1,912	1,660	13	(3,572)	698	670
Total revenues	42,982	1,912	1,660	7,153	(3,572)	50,135	52,072
Expenses:							
Salaries, wages and benefits	27,730	242	448	2,710	(243)	30,887	30,844
Supplies	2,876	15	7	62	(15)	2,945	2,952
Purchased services and other	13,151	776	1,205	5,190	(2,436)	17,886	17,976
Depreciation and amortization	1,524	372	-	64	(372)	1,588	1,664
Interest	1,810	592	-	-	(592)	1,810	1,894
Total expenses	47,091	1,997	1,660	8,026	(3,658)	55,116	55,330
Operating income (loss) from continuing operations	(4,109)	(85)	-	(873)	86	(4,981)	(3,258)
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(12)	-	-	-	-	(12)	4
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-
Other nonoperating activities, net	18	-	-	-	(85)	(67)	(256)
Excess (deficit) of continuing revenues over expenses	(4,103)	(85)	-	(873)	1	(5,060)	(3,510)
Gain on discontinued operations, net	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	(4,103)	(85)	-	(873)	1	(5,060)	(3,510)
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	1	-	-	-	-	1	2
Net assets released from restrictions used for the purchase of property, plant, and equipment	458	-	-	-	-	458	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Pension and other post retirement adjustments	1,529	-	-	-	-	1,529	(323)
Transfers to affiliates and other changes, net	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	$ (2,115)	(85)	-	(873)	1	(3,072)	(3,831)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES
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(in thousands)
Year ended August 31, 2013
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	Bon Secours Charity Health System, Inc.										
	Good Samaritan Hospital	**St. Anthony Community Hospital**	**Bon Secours Community Hospital**	**Schervier Pavilion**	**Mt. Alverno Assisted Living Facility**	**GSH Medical Care PC**	**Good Samaritan Hospital Home Care**	**Other Corporations**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 253,755	51,851	78,870	11,658	2,751	30,151	16,257	-	3	445,296	449,032
Provision for patient bad debts, net	1,012	569	(4,308)	(230)	(35)	(2,092)	(45)	-	(2)	(5,131)	(25,543)
Net patient service revenue	254,767	52,420	74,562	11,428	2,716	28,059	16,212	-	1	440,165	423,489
Other revenue	1,777	417	266	13	101	3,199	256	1	(2)	6,028	5,986
Total revenues	256,544	52,837	74,828	11,441	2,817	31,258	16,468	1	(1)	446,193	429,475
Expenses:											
Salaries, wages and benefits	131,453	25,386	40,946	8,529	2,489	31,513	11,411	394	(395)	251,726	247,730
Supplies	39,938	7,423	8,377	991	337	1,425	173	3	(3)	58,664	59,683
Purchased services and other	64,751	16,560	23,945	3,807	1,324	9,752	5,121	362	(362)	125,260	124,948
Depreciation and amortization	9,786	2,308	2,246	280	225	835	34	-	(1)	15,713	18,107
Interest	3,583	-	521	489	-	56	-	-	-	4,649	6,546
Total expenses	249,511	51,677	76,035	14,096	4,375	43,581	16,739	759	(761)	456,012	457,014
Operating income (loss) from continuing operations	7,033	1,160	(1,207)	(2,655)	(1,558)	(12,323)	(271)	(758)	760	(9,819)	(27,539)
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	124	63	(4)	(11)	(7)	(77)	-	80	-	168	176
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(1,446)	(146)	(215)	-	-	(701)	-	190	(757)	(3,075)	(4,694)
Excess (deficit) of continuing revenues over expenses	5,711	1,077	(1,426)	(2,666)	(1,565)	(13,101)	(271)	(488)	3	(12,726)	(32,057)
Gain on discontinued operations, net	-	-	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	5,711	1,077	(1,426)	(2,666)	(1,565)	(13,101)	(271)	(488)	3	(12,726)	(32,057)
Other changes in unrestricted net assets:											
Grants for capital	4,193	-	1,747	-	-	-	-	-	-	5,940	5,235
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	53	-	53	(30)
Net assets released from restrictions used for the purchase of property, plant, and equipment	(10)	33	36	-	-	-	-	(15)	-	44	2,994
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	(423)	-	-	-	-	-	-	-	-	(423)	661
Transfers to affiliates and other changes, net	(2,782)	7	(400)	(375)	133	-	-	(192)	-	(3,609)	(4,799)
Increase (decrease) in unrestricted net assets	$ 6,689	1,117	(43)	(3,041)	(1,432)	(13,101)	(271)	(642)	3	(10,721)	(27,996)

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	Bon Secours St. Petersburg Health System, Inc.						
	Maria Manor Nursing Care Center, Inc.	**Bon Secours Place at St. Petersburg**	**Maria Manor Health Resources**	**St. Petersburg Home Care Services, Inc.**	**Consolidating Eliminations**	**2013 Consolidated**	**2012 Consolidated**
Revenues:							
Net patient service revenue before bad debts	$ 24,211	-	-	1,605	-	25,816	24,657
Provision for patient bad debts, net	(376)	(3)	-	(45)	-	(424)	(376)
Net patient service revenue	23,835	(3)	-	1,560	-	25,392	24,281
Other revenue	354	4,675	-	-	-	5,029	5,280
Total revenues	24,189	4,672	-	1,560	-	30,421	29,561
Expenses:							
Salaries, wages and benefits	13,082	2,618	-	1,613	-	17,313	16,758
Supplies	2,441	412	-	50	-	2,903	2,790
Purchased services and other	6,239	1,178	118	501	(1)	8,035	7,364
Depreciation and amortization	594	268	-	23	1	886	974
Interest	497	133	-	-	-	630	784
Total expenses	22,853	4,609	118	2,187	-	29,767	28,670
Operating income (loss) from continuing operations	1,336	63	(118)	(627)	-	654	891
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(11)	(1)	-	(6)	1	(17)	3
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-
Other nonoperating activities, net	(2)	(6)	-	-	-	(8)	9
Excess (deficit) of continuing revenues over expenses	1,323	56	(118)	(633)	1	629	903
Gain on discontinued operations, net	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	1,323	56	(118)	(633)	1	629	903
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Pension and other post retirement adjustments	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(550)	-	169	-	-	(381)	(458)
Increase (decrease) in unrestricted net assets	$ 773	56	51	(633)	1	248	445

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	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership 2		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenues:										
Net patient service revenue before bad debts	$ -	-	-	-	-	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	28,903	27,424	222,499	194,147
Total revenues	-	-	-	-	-	-	28,903	27,424	222,499	194,147
Expenses:										
Salaries, wages and benefits	-	-	-	-	-	-	-	-	100,201	97,571
Supplies	-	-	-	-	-	-	-	-	863	800
Purchased services and other	-	-	-	-	-	-	28,903	27,424	56,000	57,986
Depreciation and amortization	-	-	-	-	-	-	-	-	39,695	34,587
Interest	-	-	-	-	-	-	-	-	(1,338)	(4,510)
Total expenses	-	-	-	-	-	-	28,903	27,424	195,421	186,434
Operating income (loss) from continuing operations	-	-	-	-	-	-	-	-	27,078	7,713
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	-	-	-	-	-	-	-	-	44,513	(2,899)
Loss on early retirement of debt	-	-	-	-	-	-	-	-	(7,844)	(602)
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	-	-	437	1,064	467	-	-	-	(9,325)	(5,016)
Excess (deficit) of continuing revenues over expenses	-	-	437	1,064	467	-	-	-	54,422	(804)
Gain on discontinued operations, net	-	-	-	-	-	-	-	-	1,700	2,872
Excess (deficit) of revenues over expenses	-	-	437	1,064	467	-	-	-	56,122	2,068
Other changes in unrestricted net assets:										
Grants for capital	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	-	(2,005)	(157)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	986	3,301
Distributions to noncontrolling interest owner	-	-	(1,300)	-	-	-	-	-	-	-
Pension and other post retirement adjustment	-	-	-	-	-	-	-	-	49,498	(41,686)
Transfers to affiliates and other changes, net	-	-	329	3,413	971	-	-	-	10,396	28,159
Increase (decrease) in unrestricted net assets	$ -	-	(534)	4,477	1,438	-	-	-	114,997	(8,315)

See accompanying auditors' report on supplementary information