

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

St. Vincent Health, Inc. – Member of Ascension Health
Years Ended June 30, 2008 and 2007
With Report of Independent Auditors

St. Vincent Health, Inc.

Consolidated Financial Statements
and Other Financial Information

Years Ended June 30, 2008 and 2007

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Report of Independent Auditors

Board of Directors
St. Vincent Health, Inc.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of St. Vincent Health, Inc.'s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Vincent Health, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Vincent Health, Inc. at June 30, 2008 and 2007, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating balance sheet, consolidating statements of operations and changes in net assets, and schedule of net cost of providing care of persons who are poor and community benefit programs as of and for the year ended June 30, 2008 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Ernst & Young LLP

August 28, 2008

St. Vincent Health, Inc.

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 101,358	\$ 82,851
Short-term investments	30,246	27,763
Accounts receivable, less allowances for uncollectible accounts (\$72,791 and \$62,362 in 2008 and 2007, respectively)	239,486	215,273
Inventories	20,825	19,038
Other	14,400	15,271
Total current assets	<u>406,315</u>	360,196
Board-designated investments	1,099,435	940,391
Other investments	14,251	9,449
Assets limited as to use:		
Under bond indenture agreement	1,147	1,097
Temporarily or permanently restricted	53,685	53,527
Total assets limited as to use	<u>54,832</u>	54,624
Property and equipment:		
Land and improvements	51,456	51,430
Building and equipment	1,343,879	1,290,322
Construction in progress	70,615	61,429
Less accumulated depreciation	840,955	778,260
Total property and equipment, net	<u>624,995</u>	624,921
Other assets:		
Goodwill	55,257	59,508
Investment in unconsolidated entities	42,106	41,899
Notes and other receivables	8,319	9,368
Investments in land	12,375	10,660
Other	5,783	13,269
Total other assets	<u>123,840</u>	134,704
Total assets	<u>\$ 2,323,668</u>	<u>\$ 2,124,285</u>

	June 30	
	2008	2007
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 6,121	\$ 7,649
Accounts payable and accrued liabilities	159,588	136,240
Estimated third-party payor settlements, net	15,382	14,994
Current portion of self-insurance liabilities	3,597	4,111
Other	10,953	5,757
Total current liabilities	<u>195,641</u>	168,751
Noncurrent liabilities:		
Long-term debt	344,634	350,756
Self-insurance liabilities	216	198
Pension and other postretirement liabilities	39,475	53,297
Minority interest liability	30,902	27,914
Deferred gain on sale of medical office buildings	4,259	5,918
Other	18,111	22,262
Total noncurrent liabilities	<u>437,597</u>	460,345
Total liabilities	<u>633,238</u>	629,096
Net assets:		
Unrestricted	1,636,745	1,441,662
Temporarily restricted	36,319	35,296
Permanently restricted	17,366	18,231
Total net assets	<u>1,690,430</u>	1,495,189

Total liabilities and net assets	<u><u>\$ 2,323,668</u></u>	<u><u>\$ 2,124,285</u></u>
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The accompanying notes are an integral part of the consolidated financial statements.

St. Vincent Health, Inc.

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Years Ended June 30	
	2008	2007
Operating revenue:		
Net patient service revenue	\$ 1,707,187	\$ 1,549,499
Other revenue	43,459	38,803
Income from unconsolidated entities	13,632	15,023
Net assets released from restrictions for operations	3,964	2,962
Total operating revenue	<u>1,768,242</u>	<u>1,606,287</u>
Operating expenses:		
Salaries and wages	615,889	573,788
Employee benefits	167,448	153,782
Purchased services	141,789	130,450
Professional fees	59,960	54,526
Supplies	259,791	242,469
Insurance	7,071	7,146
Bad debts	112,837	87,871
Interest	16,595	16,624
Depreciation and amortization	79,650	74,779
Other	134,780	119,403
Total operating expenses	<u>1,595,810</u>	<u>1,460,838</u>
Income from operations	172,432	145,449
Nonoperating (losses) gains:		
Investment (loss) income	(305)	122,689
Income from unconsolidated entities	1,700	779
Other	(9,672)	(11,138)
Total nonoperating (losses) gains, net	<u>(8,277)</u>	<u>112,330</u>
Excess of revenue over expenses	164,155	257,779

Continued on next page.

St. Vincent Health, Inc.

Consolidated Statements of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

	Years Ended June 30	
	2008	2007
Unrestricted net assets:		
Excess of revenue over expenses	\$ 164,155	\$ 257,779
Decrease in additional minimum pension liability	–	5,693
Transfer from (to) sponsor and other affiliates, net	26,465	(42,504)
Net assets released from restrictions for property acquisitions	7,782	1,592
Other	(3,319)	(1,623)
Increase in unrestricted net assets	<u>195,083</u>	<u>220,937</u>
Temporarily restricted net assets:		
Contributions	10,227	9,836
Net change in unrealized gains/losses on investments	(2,015)	1,240
Investment income	1,462	1,893
Net assets released from restrictions	(11,746)	(4,554)
Other	3,095	1,257
Increase in temporarily restricted net assets	<u>1,023</u>	<u>9,672</u>
Permanently restricted net assets:		
Contributions	458	641
Net change in unrealized gains/losses on investments	416	1,185
Investment income	75	20
Other	(1,814)	562
(Decrease) increase in permanently restricted net assets	<u>(865)</u>	<u>2,408</u>
Increase in net assets	195,241	233,017
Net assets, beginning of the year	1,495,189	1,262,172
Net assets, end of the year	<u>\$ 1,690,430</u>	<u>\$ 1,495,189</u>

The accompanying notes are an integral part of the consolidated financial statements.

St. Vincent Health, Inc.

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Years Ended June 30	
	2008	2007
Cash flows from operating activities		
Increase in net assets	\$ 195,241	\$ 233,017
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	79,650	74,779
Provision for bad debts	112,837	87,871
Change in additional minimum pension liability	–	(5,693)
Net realized and change in unrealized gains/losses on investments	367	(127,027)
(Gain) loss on sale of assets, net	(4,541)	1,148
Transfers to sponsor and other affiliates, net	(26,465)	42,504
Restricted contributions and other restricted activity	(11,965)	(12,296)
(Increase) decrease in:		
Short-term investments	(2,483)	(8,305)
Accounts receivable	(137,050)	(96,340)
Inventories and other current assets	(3,289)	3,352
Investments classified as trading	(164,648)	(24,080)
Other assets	(1,401)	(8,065)
Increase (decrease) in:		
Accounts payable and accrued liabilities	23,348	5,282
Estimated third-party payor settlements, net	388	(2,730)
Other current liabilities	7,568	4,717
Other noncurrent liabilities	21,294	10,161
Net cash provided by operating activities	88,851	178,295
Cash flows from investing activities		
Property and equipment additions, net	(75,545)	(107,593)
Proceeds from sale of property and equipment and other assets	6,382	1,950
Purchases of new operating assets, net of cash acquired	–	(53,645)
Net cash used in investing activities	(69,163)	(159,288)
Cash flows from financing activities		
Issuance of long-term debt	–	7,514
Repayment of long-term debt	(7,650)	(12,664)
Increase in assets under bond indenture agreements	(50)	(62)
Transfers to sponsor and other affiliates, net	(5,227)	(6,067)
Net assets released from restrictions	11,746	4,554
Net cash used in financing activities	(1,181)	(6,725)
Net increase in cash and cash equivalents	18,507	12,282
Cash and cash equivalents, beginning of the year	82,851	70,569
Cash and cash equivalents, end of the year	\$ 101,358	\$ 82,851

The accompanying notes are an integral part of the consolidated financial statements.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2008

1. Organization and Mission

Organizational Structure

St. Vincent Health, Inc. (the Corporation) is a member of Ascension Health. Ascension Health is a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 of the United States and the District of Columbia. Ascension Health is sponsored by the Northeast, Southeast, East Central and West Central Provinces of the St. Vincent DePaul, the Congregation of St. Joseph and the Sisters of St. Joseph of Carondelet.

The Corporation, located in Indianapolis, Indiana, is a nonprofit acute care hospital system. The Corporation's hospitals provide inpatient, outpatient and emergency care services for the residents of central Indiana. Admitting physicians are primarily practitioners in the local area. The Corporation is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health and its sponsored organizations are related to providing health care services.

The Corporation is continuing to enhance its development as an integrated health care delivery system through relationships and affiliations with other providers, practitioners, and insurers throughout the State of Indiana and Ohio. In this connection, the Corporation has formed separate affiliation arrangements with Cardinal Health System, Inc. (Delaware County) and Columbus Regional Hospital, Inc. (Bartholomew County) to develop joint services in the communities they commonly serve. In addition, the Corporation entered into an agreement with Cincinnati Children's Medical Center to enhance the pediatric subspecialty services to Peyton Manning Children's Hospital at St. Vincent. The Corporation has also entered into an agreement with the Cleveland Clinic to manage the renal transplant program at the St. Vincent Indianapolis hospital. None of these affiliations have resulted in significant asset transfers and are not expected to result in consolidation of the related entities.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Organizational Structure (continued)

The Corporation includes the following not-for-profit hospitals and healthcare entities:

Acute Care Hospitals

- *St. Vincent Hospital and Health Care Center, Inc., d/b/a St. Vincent Hospital and Health Services (SVHHS)* includes the following hospitals in Indianapolis, Indiana:
 - St. Vincent Indianapolis Hospital*
 - St. Vincent Women's Hospital*
 - St. Vincent Stress Center*
 - Peyton Manning Children's Hospital at St. Vincent*
- *St. Vincent Carmel Hospital, Inc. (St. Vincent Carmel)*, Carmel, Indiana.
- *St. Joseph Hospital & Health Center, Inc. (St. Joseph-Kokomo)*, Kokomo, Indiana.
- *Saint John's Health System (Saint John's)*, Anderson, Indiana.
- *St. Vincent Seton Specialty Hospital, Inc. (Seton)*: Seton is a long-term acute care hospital with locations in Indianapolis and Lafayette, Indiana.
- *St. Vincent Pediatric Rehabilitation Center, Inc. (Pediatric Rehab)*: Pediatric Rehab is a pediatric hospital located in Indianapolis, Indiana which discontinued operations effective July 1, 2007 and operations were transferred to Peyton Manning Children's Hospital at St. Vincent.
- *St. Vincent New Hope, Inc. (New Hope)*: New Hope is a residential treatment facility primarily providing residential and rehabilitation services for adults with a variety of developmental disabilities and is located in Indianapolis, Indiana.

The following acute care facilities are designated by Medicare as critical access hospitals:

- *St. Vincent Williamsport Hospital, Inc. (Williamsport)*: Williamsport is an acute care hospital located in Williamsport, Indiana.
- *St. Vincent Jennings Hospital, Inc. (Jennings)*: Jennings is an acute care hospital located in North Vernon, Indiana.
- *St. Vincent Frankfort Hospital, Inc. (Frankfort)*: Frankfort is an acute care hospital located in Frankfort, Indiana.
- *St. Vincent Randolph Hospital, Inc. (Randolph)*: Randolph is an acute care hospital located in Winchester, Indiana.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Organizational Structure (continued)

- *St. Vincent Clay Hospital, Inc. (Clay)*: Clay is an acute care hospital located in Brazil, Indiana.
- *St. Vincent Mercy Hospital (Mercy)*: Mercy is an acute care hospital located in Elwood, Indiana.

Other Healthcare Entities:

- *St. Vincent Hospital Foundation, Inc., Saint John's Foundation, Inc., St. Joseph Foundation of Kokomo, Indiana, Inc., St. Vincent Frankfort Hospital Foundation, Inc., St. Vincent Randolph Hospital Foundation, Inc., St. Vincent Williamsport Hospital Foundation, Inc., St. Vincent Jennings Hospital Foundation, Inc. and St. Vincent Mercy Hospital Foundation, Inc. (Foundations)*: The Foundations provide fund raising efforts to support the charitable, religious, scientific, and educational purposes of charitable works of SVHHS, Saint John's, St. Joseph, Frankfort, Randolph, Williamsport, Jennings, Mercy, and other health facilities in accordance with the mission and values of Ascension Health.
- *Central Indiana Health System Cardiac Services, Inc. (CIHSCS)*: CIHSCS serves as a joint venture partner in two freestanding cardiac catheterization laboratories supporting the Hospital. CIHSCS is a 49% joint venture partner in Lafayette Heart Program Holdings, LLC, a cardiac program in Lafayette, Indiana. CIHSCS also owns 65% of St. Vincent Heart Center of Indiana, LLC which opened in December 2002.
- *St. Vincent Health, Inc. (SVH)*: SVH provides the corporate support functions for the Corporation.
- *St. Vincent Physician Network, LLC (SPN)*: SPN is the Corporation's primary and specialty care network of physicians. SPN was incorporated on January 1, 2005 and its operations had previously been included as part of SVHHS.
- *St. Vincent Medical Center Northeast, Inc. (SVMCNE)*: SVMCNE is a real estate holding company that is holding land for future expansion of healthcare services.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Organizational Structure (continued)

Acquisition of Majority Shares of St. Vincent Heart Center of Indiana, LLC

Effective July 7, 2006, CIHSCS purchased an additional 15% interest in St. Vincent Heart Center of Indiana, LLC (SVHCI) for \$50,000. CIHSCS now owns 65% of SVHCI and The Care Group Heart Hospital, LLC (TCGHH) owns the remaining 35%. The transaction was accounted for as a purchase and SVHCI was consolidated as part of St. Vincent Health's financial statements effective with the purchase date.

As part of the transaction, CIHSCS and TCGHH entered into an option agreement where CIHSCS shall have a "call" for the purchase of an additional 5% of SVHCI from TCGHH and TCGHH shall have a "put" for the sale of those same option units to CIHSCS. The options are exercisable during the period beginning on July 7, 2009 and ending on January 6, 2010 for a price of approximately \$19,000 subject to certain reductions outlined in the option agreement. The transaction resulted in approximately \$63,758 of goodwill, including the effect of the option which was accounted for as additional minority interest liability. The goodwill is amortized on a straight line basis over a 15 year period.

Mission

Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with Ascension Health's mission of service to those who are poor and vulnerable, each Health Ministry accepts patients regardless of their ability to pay. Ascension Health uses four categories to identify the resources utilized for the care of persons who are poor and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Mission (continued)

- Cost of other programs for the poor includes unreimbursed costs of programs intentionally designed to serve the poor and vulnerable of the community, including substance abusers, the homeless, victims of child abuse, and persons with Acquired Immune Deficiency Syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the poor, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons who are poor and community benefit programs. The cost of providing care of persons who are poor and community benefit programs is estimated using internal cost data. The estimates may continue to be refined subsequent to the balance sheet date.

The amount of traditional charity care provided, determined on the basis of cost, was approximately \$28,048 and \$26,186 for the years ended June 30, 2008 and 2007, respectively.

Principles of Consolidation

All corporations for which operating control is exercised by the Corporation or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the Corporation controls 50% or less of the entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The following represents the Corporation's interest in unconsolidated entities recorded under the equity method of accounting:

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Principles of Consolidation (continued)

	Investment Recorded in Consolidated Balance Sheet as of June 30		Effect on Consolidated Excess of Revenue over Expenses for the Years Ended June 30	
	2008	2007	2008	2007
Mid America Clinical Laboratories, LLC	\$ 4,761	\$ 4,526	\$ 2,285	\$ 2,092
Naab Road Surgery Center, LLC	1,512	742	4,642	3,389
Rehabilitation Hospital of Indiana, Inc.	1,877	2,024	(148)	1,135
Advantage Health Solutions, Inc.	6,804	5,289	1,514	819
Carmel Ambulatory Surgery Center, LLC	1,640	2,597	4,966	5,713
Lafayette Heart Program Holdings, LLC	16,769	15,136	1,633	1,179
Other	8,743	11,585	440	1,475
	<u>\$ 42,106</u>	<u>\$ 41,899</u>	<u>\$ 15,332</u>	<u>\$ 15,802</u>

2. Significant Accounting Policies

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Values

Carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in their respective notes.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and interest-bearing deposits with maturities of three months or less when acquired, excluding Board-designated investments, assets limited as to use, and other investments.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Investments and Investment Income

Board-designated investments represent investments designated by resolution of the Board of Directors to put amounts aside primarily for future capital expansion and improvements. Assets limited as to use represent investments restricted under bond indenture agreements for capital use or debt repayment purposes and investments restricted by donors. Investments in equity securities and debt securities are measured at fair value in the consolidated balance sheets. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The Corporation also invests in a centralized investment pool managed by Ascension Health (see Note 3).

Ascension Health has designated all its investment portfolio, other than alternative investments, as trading securities, with unrealized gains and losses included in excess of revenue over expenses.

Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is reported as nonoperating gains (losses) unless the income is restricted by donor or law. The cost of substantially all securities sold is based on the average cost method.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets and includes amortization of assets recorded under capital leases. Estimated useful lives by asset category are as follows: land improvements – 10 to 15 years; buildings – 20 to 40 years; and equipment – 3 to 10 years. Depreciation expense in 2008 and 2007 was \$75,169 and \$70,470 respectively. Interest costs incurred as part of the related construction are capitalized during the period of construction. Net interest capitalized in 2008 and 2007 was \$378 and \$1,215, respectively.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment (continued)

Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Amounts capitalized are amortized over the useful life of the developed asset following project completion.

Several capital projects have remaining construction and equipment commitments of approximately \$19,056.

The Corporation accounts for conditional asset retirement provisions under FASB Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143 (FAS 143), *Accounting for Asset Retirement Obligations*. FAS 143 provides guidance on accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. FIN 47's guidance requires such conditional asset retirement obligations to be estimated and recognized. Application of these pronouncements primarily affects the Corporation with respect to required future asbestos remediation.

Conditional asset retirement obligations exist relating to asbestos remediation in certain hospital buildings. Conditional asset retirement obligations of \$7,927 and \$7,674 as of June 30, 2008 and 2007, respectively, are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets. During 2008 and 2007, \$124 and \$190, respectively, of retirement obligations were incurred and settled. Accretion expense of \$377 and \$360 was recorded in 2008 and 2007, respectively.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained by the Corporation in perpetuity. Temporarily restricted net assets and earnings on permanently restricted net assets are used in accordance with the donor's wishes primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Performance Indicator

The Corporation's performance indicator is excess of revenue over expenses which includes all changes in unrestricted net assets other than changes in the additional minimum pension liability, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and other transfers between funds.

Operating and Nonoperating Activities

The Corporation's primary mission is to meet the health care needs of its local market area through a broad range of general and specialized health care services including inpatient acute care, outpatient services, long-term care and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Corporation's primary mission are considered to be nonoperating, consisting primarily of investment income (loss) and income from certain unconsolidated joint ventures, offset by minority interest expense, grants and a portion of the Foundation's fundraising activities.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately \$19,003 and \$12,397 for the years ended June 30, 2008 and 2007, respectively.

During 2008 and 2007, approximately 28% of the Corporation's net patient service revenue was received under the Medicare program, 7% and 6% under the state Medicaid program, and 51% from contracts with health maintenance organizations, preferred provider organizations, and insurance company arrangements, respectively. The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable at June 30, 2008 and 2007 include Medicare (17% and 19%), Medicaid (5%), Blue Cross (24% and 18%), managed care and commercial (37% and 39%) and self-pay (17% and 19%), respectively.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Corporation may place past due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the Corporation's policies.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Amortization

Bond issuance costs, bond discounts, and bond premiums are amortized over the term of the bonds using a method approximating the effective interest method. Other intangible assets, which include goodwill related to the additional ownership interest in SVHCI, are amortized using the straight-line method over its estimated useful life of 15 years. Gross goodwill is \$63,758 less accumulated amortization of \$8,501 and amortization expense for 2008 and 2007 of \$4,251.

Income Taxes

The Corporation, an Indiana not-for-profit corporation, which includes sixteen acute care entities and other health care-related entities, are primarily tax-exempt organizations under Section 501(c)(3), and their related income is exempt from federal income tax under Internal Revenue Code Section 501(a). The Corporation is exempt from Indiana adjusted gross income tax under Indiana Code 6-3-2-2.8 by virtue of its status as an organization exempt from federal income tax under Internal Revenue Code Section 501(a).

St. Vincent Heart Center of Indiana, LLC (SVHCI) members have elected, under the applicable provisions of the Internal Revenue Code, to be taxed as a partnership whereby taxable income is taxed directly to the members and not to SVHCI. The allocable share of earnings from SVHCI is also exempt from taxes because the Corporation is tax-exempt.

Accordingly, the financial statements do not include any provision for federal or state income taxes.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which clarifies the accounting for uncertainty in income tax positions recognized in financial statements in accordance with FASB Statement No.109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Effective June 30, 2007, the Corporation adopted FIN 48. The adoption of FIN 48 did not have a material impact on the Corporation's financial position or results of operations.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by the Corporation. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be determined at this time; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of the Corporation.

Reclassifications

Certain reclassifications were made to the 2007 consolidated financial statements to conform to the 2008 presentation. These reclassifications had no impact on the change in net assets previously reported and did not materially change individual financial statement line items.

3. Board-Designated Investments, Assets Limited as to Use, and Other Investments

The composition of investments classified as Board-designated investments, assets limited as to use, and other investments is summarized as follows:

	June 30	
	2008	2007
Cash and short-term investments	\$ 7,857	\$ 6,254
Investments in HSD	1,108,754	949,501
United States government obligations	6,529	6,825
Corporate obligations	7,069	6,236
Marketable equity securities	33,067	30,855
International securities	4,656	4,793
Other	586	—
Board-designated investments, assets limited as to use, and other investments	<u>\$ 1,168,518</u>	<u>\$ 1,004,464</u>

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Board-Designated Investments, Assets Limited as to Use, and Other Investments (continued)

The Health System Depository (HSD) is an investment pool of funds whose participants include certain health-care-related entities sponsored by Ascension Health and other unrelated health care organizations. The HSD uses financial futures and options to adjust portfolio duration, restructure term exposure, change sector exposure, or arbitrage market inefficiencies. Financial futures and options are not used to speculate or leverage the portfolio. Outstanding derivative instruments are recorded at fair market value, and changes in fair market value have been recorded as nonoperating gains in the consolidated statements of operations and changes in net assets.

The HSD also invests in alternative investments through limited partnerships. Alternative investments are comprised of derivative contracts, private equity investments, real estate investments, and hedge funds. The limited partnerships generally contract with a manager who has full discretionary authority over the investment decisions. The alternative investments take their positions in part through derivative contracts. The HSD accounts for its ownership interests in these alternative investments under the equity method. The HSD also holds prime brokerage accounts whereby the accounts and the underlying investments are owned and controlled by Ascension Health. Accordingly, these prime brokerage accounts are consolidated by Ascension Health.

Net earnings of the HSD are allocated to investing participants on a pro rata basis. As of June 30, 2008 and 2007, respectively, the total HSD investments consist of cash and short-term investments (7.8% and 6.8%), United States government obligations (11.6% and 14.8%), asset-backed securities (30.5% and 33.4%), fixed maturities (12.7% and 8.1%), equity securities (24.4% and 29.0%), alternative investments (12.9% and 7.6%) and other (0.1% and 0.3%).

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Board-Designated Investments, Assets Limited as to Use, and Other Investments (continued)

Investment return is summarized as follows:

	Years Ended June 30	
	2008	2007
Interest, dividends and net realized gains	\$ 73,858	\$ 124,602
Net unrealized (losses) gains on investments reported at fair value	<u>(74,225)</u>	<u>2,425</u>
Total investment return	<u>\$ (367)</u>	<u>\$ 127,027</u>
Included in nonoperating (losses) gains	\$ (305)	\$ 122,689
Reported separately as (decrease) increase in restricted net assets	<u>(62)</u>	<u>4,338</u>
Total investment return	<u>\$ (367)</u>	<u>\$ 127,027</u>

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Long-Term Debt

Long-term debt consists of the following:

	June 30	
	2008	2007
Intercompany debt with Ascension Health, payable in installments through November 2046; interest (3.9% at June 30, 2008) adjusted based on prevailing blended market interest rate of underlying debt obligations	\$ 299,422	\$ 304,734
Hospital Revenue Bonds, payable in installments through January 1, 2023; interest (3.975% at June 30, 2008) adjusted monthly based on market auctions	50,950	53,095
Obligations under capital leases	261	424
Other	122	152
	350,755	358,405
Less current portion	6,121	7,649
Long-term debt, less current portion	\$ 344,634	\$ 350,756

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

Year ending June 30:	
2009	\$ 6,121
2010	6,339
2011	6,528
2012	6,718
2013	7,002
Thereafter	318,047
Total	<u>\$ 350,755</u>

Certain members of Ascension Health participate in the Ascension Health Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Long-Term Debt (continued)

Though senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the limited designated affiliate's state of incorporation. In addition, Ascension Health may cause each senior designated affiliate to transfer such amounts as are necessary to enable the senior obligated group members to comply with the terms of the Senior MTI, including payment of the outstanding obligations. The Corporation is a senior obligated group member under the terms of the Senior MTI.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members which are operating entities pledged and assigned to the Master Trustee a security interest in all of their rights, title and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health. Though subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, each subordinate limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the limited designated affiliate's state of incorporation. The Corporation is a subordinate obligated group member under the terms of the Subordinate MTI.

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 39 years.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Long-Term Debt (continued)

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member. Members of Ascension Health may also periodically draw from the invested funds of other members of Ascension Health on a relatively short-term basis and subject to certain conditions.

The carrying amounts of intercompany debt with Ascension Health and other debt approximate fair value based on a discounted cash flow analyses that considers current incremental borrowing rates for similar types of borrowing arrangements.

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio.

As of June 30, 2008, the Senior Credit Group has a line of credit of \$250 million related to its commercial paper program toward which bank commitments totaling \$250 million extend to November 21, 2008. As of June 30, 2008 and 2007, there were no borrowings under the line of credit.

As of June 30, 2008, the Senior Credit Group has a line of credit of \$500 million for general corporate purposes, toward which bank commitments totaling \$500 million extend to April 3, 2009. As of June 30, 2008 there were no borrowings under the line of credit.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Long-Term Debt (continued)

As of June 30, 2008, the Subordinate Credit Group has a \$100 million revolving line of credit related to its letters of credit program toward which a bank commitment of \$100 million extends to December 31, 2008. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this \$100 million revolving line of credit, letters of credit totaling \$58 million have been issued as of June 30, 2008, which amount could be used to satisfy \$58 million of guarantees. No borrowings were outstanding under the letters of credit.

The outstanding principal amount of all hospital revenue bonds is \$4.15 billion, which represents 45% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2008.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt which can be as short as 30 days or as long as 31 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees at June 30, 2008 is \$194 million, which includes the \$58 million aforementioned letters of credit.

The Hospital Revenue Bonds at June 30, 2008 and 2007, respectively, consists of \$50,950 and \$53,095 in Series 2002 Auction Rate Notes (Notes). The Notes were issued in May 2002 on behalf of SVHCI through the Ascension Health Credit Group (Credit Group). The members of the Credit Group serve as guarantors of these obligations for SVHCI through a Reimbursement Agreement (Agreement) entered into between Ascension Health and SVHCI in connection with the issuance of the Notes. Accordingly, the Notes are secured by quarterly guarantee fee payments made to Ascension Health pursuant to the Agreement at a rate of 1.5% of the outstanding debt balance. The guarantee extends through the term of the debt and expires on January 1, 2023. The Agreement also requires the maintenance of certain debt service coverage ratios, limits on additional borrowings, and required compliance with various other restrictive covenants.

Interest paid on debt, net of amounts capitalized, during 2008 and 2007 was approximately \$16,595 and \$16,624, respectively.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Pension Plans

The Corporation participates in the Ascension Health Pension Plan (Plan) which is a noncontributory defined benefit pension plan covering all eligible employees of certain Ascension Health entities. Benefits are based on each participant's years of service and compensation. Plan assets are invested in a master trust consisting of cash and cash equivalents, equity, fixed income funds and alternative investments. Contributions to the Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to Plan participants. Net periodic pension cost of \$37,364 in 2008 and \$34,903 in 2007 was charged to the Corporation, and includes employer matching contributions. The service cost component of net periodic pension cost charged to the Corporation is actuarially determined while all other components are allocated based on the Corporation's pro rata share of Ascension Health's overall projected benefit obligation.

On June 30, 2007, Ascension Health adopted the recognition provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132(R) (FAS 158), which required Ascension Health to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the Plan in its consolidated balance sheet.

The assets of the Plan are available to pay the benefits of eligible employees of all participating entities. In the event entities participating in the Plan are unable to fulfill their financial obligations under the Plan, the other participating entities are obligated to do so. As of June 30, 2008, the Plan had a net unfunded liability of \$114 million.

The Corporation's allocated share of the Plan's net unfunded liability reflected in the accompanying consolidated balance sheets at June 30, 2008 and 2007 was \$39,209 and \$53,297, respectively. As a result of updating the funded status of the Plan, the Corporation's allocated share of the Plan's net funded liability was reduced by \$31,692 during 2008. As a result of adopting FAS 158, Ascension Health transferred an additional pension liability of \$36,437 million to the Corporation during 2007. These transfers are included in transfer from (to) sponsor and other affiliates, net, in the accompanying consolidated statements of operations and changes in net assets.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Pension Plans (continued)

The Corporation has a 403(b) savings plan which covers substantially all employees. Employees can contribute up to \$15.5 (\$20.5 if 50 years of age in 2008) of their annual compensation to the plan. The Corporation matches \$.50 of each dollar on the first 5% of employee contributions. To receive an employer matching contribution in any year an employee must be a participant in the retirement plan, contribute to the savings plan and work 1,000 hours each year.

SVHCI has established a defined contribution retirement plan which covers substantially all employees. SVHCI makes a non-elective contribution which is based on the participating employee's compensation. Employees are immediately vested in this portion of the plan. In addition, SVHCI matches the participating employee's elective 401(k) contributions up to 3% of the employee's compensation. Vesting in SVHCI matching contributions is based on years of service, and such contributions are 100% vested to the employee after five years of service.

Employer contribution expense for both plans for 2008 and 2007 is included with net periodic pension cost disclosed above.

6. Other Postretirement Benefits

The Corporation has recorded a liability for life insurance policies for retirees amounting to \$266 in pension and other postretirement liabilities in the accompanying consolidated balance sheets for some prior employees at Saint John's Health System.

7. Self-Insurance Programs

The Corporation participates in self-insurance programs for professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance companies to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2008 and 2007.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Self-Insurance Programs (continued)

General/Professional Liability Programs

The Corporation participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned on-shore trust (irrevocable trust funds) and captive insurance company. The Corporation has a deductible of \$100 per claim and the program has a self-insured retention of \$10,000 per occurrence with no aggregate. Excess coverage is provided through Ascension Health Insurance Limited (AHIL), a captive insurance company wholly owned by Ascension Health with limits up to \$135,000. AHIL's excess coverage is reinsured by commercial carriers, with the exception of a \$5,000 per occurrence and \$5,000 annual aggregate excess insurance layer. Self-insured hospitals in the state of Indiana are provided professional liability coverage on an occurrence basis with limits up to \$1,000 per occurrence and \$3,000 in aggregate in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit.

The Corporation is subject to the provisions of the Indiana Medical Malpractice Act which limits the maximum recovery for professional liability to \$1,250 per occurrence, \$250 of which would be paid by the Ascension Health Trust Fund and the balance would be paid by the State of Indiana Patient Compensation Fund.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is general and professional liability expense of \$4,887 and \$5,006 for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007, the general and professional liability reserves included in self-insurance liabilities (current and long-term) in the accompanying consolidated balance sheets were approximately \$3,813 and \$4,309, respectively. In the event that sufficient funds are not available from the self-insurance programs, each participating entity in the respective program will be assessed its pro rata share of the deficiency through prospective premium contribution increases. If contributions exceed the losses eventually paid, the excess will be applied to reduce contributions for future periods.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Self-Insurance Programs (continued)

Workers' Compensation

The Corporation participates in Ascension Health's workers' compensation self-insurance program which provides occurrence coverage through a grantor trust. The self-insured retention is \$1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligation of its members through self-insurance and excess insurance against catastrophic loss. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported. In the event that sufficient funds are not available from the program, each participating entity will be assessed its pro rata share of the deficiency through a prospective premium contribution increase. If contributions exceed the losses eventually paid, the excess will be applied to reduce contributions for future periods. Included in operating expenses in the accompanying statements of operations and changes in net assets is workers' compensation expense of \$2,700 and \$4,365 for the years ended June 30, 2008 and 2007, respectively.

Medical and Dental Claims

The Corporation is self-insured for medical claims with Humana, Inc. The Corporation is also self-insured for all dental claims through Delta Dental. The Corporation estimates its liability for covered medical and dental claims, including claims incurred but not reported, based upon historical costs incurred and payment processing experience. At June 30, 2008 and 2007, the liability for such covered medical and dental claims was \$9,170 and \$8,370, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Lease Commitments

Future minimum payments under noncancelable building and equipment operating leases with terms of one year or more are:

Year ending June 30:	
2009	\$ 29,285
2010	22,457
2011	19,231
2012	15,388
2013	13,523
Thereafter	46,966
Total	<u>\$ 146,850</u>

Rental expense under operating leases amounted to \$41,860 and \$32,026 in 2008 and 2007, respectively.

The Corporation has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancelable subleases with terms of one year or more amount to \$2,331.

In addition, the Corporation is a lessor under certain operating lease agreements, primarily ground leases related to third party owned medical office buildings on land owned by the Corporation. The Corporation also leases space to others in some buildings they own. Future minimum rental receipts under all noncancelable operating leases with terms of one year or more are:

Year ending June 30:	
2009	\$ 988
2010	967
2011	967
2012	967
2013	979
Thereafter	39,992
Total	<u>\$ 42,860</u>

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Lease Commitments (continued)

In May 2003, the Corporation sold various outpatient and professional medical office buildings (MOB's) to a real estate investment trust (REIT) and contemporaneously leased back certain space in those buildings to support ongoing ministry operations for a period of twelve years with leases extending through 2015. These space leases are being accounted for as operating leases based on their terms, and future minimum lease payments under these leases are included in the amounts reported above. The building sales were accounted for under FASB Statement No. 98, *Accounting for Leases* (FAS 98), and as such, certain gains on the sales were deferred. As of June 30, 2008 and 2007, net deferred gains of \$4,259 and \$5,918, respectively, were included in the accompanying consolidated balance sheets. These gains are being recognized as operating income over the related leaseback terms. In connection with that sale, the Corporation entered into a long-term ground lease for the property underlying the buildings whereby the REIT is able to take control of the buildings for 50 years with one 25-year renewal at the option of the REIT.

During 2005, the Corporation outsourced its information technology (IT) function to a third party provider. The scope of these services includes hardware, IT infrastructure and support, maintenance and help desk functions. Under the terms of the agreement, the Corporation sold its IT assets, not financed with tax-exempt debt, to the third party provider at net book value for cash and a note receivable aggregating \$6,315. The note receivable will be amortized over the next 10 years in lieu of cash payments for a portion of the services to be received from the provider. The balance of the note receivable was \$2,933 and \$3,896 at June 30, 2008 and 2007, respectively. The Corporation leases certain equipment from the provider under a noncancelable operating lease agreement.

9. Related-Party Transactions

The Corporation utilizes various centralized programs and overhead services of Ascension Health or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, information technology services and biomedical equipment maintenance services. The charges allocated to the Corporation for these services represent both allocations of common costs and specifically identified expenses that are incurred by Ascension Health on behalf of the Corporation. Allocations are based on relevant metrics such as the Corporation's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of Ascension Health. The amounts charged to the Corporation for these services may not necessarily result in the net costs that would be incurred by the Corporation on a stand-alone basis.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Related-Party Transactions (continued)

The charges allocated to the Corporation were \$77,519 and \$68,686, for the years ended June 30, 2008 and 2007, respectively.

On July 1, 2007 and 2006, the Corporation transferred cash and investments of \$4,287 and \$5,150, respectively, in support of Ascension Health's strategic initiatives.

The Corporation purchased \$19,886 of laboratory services in 2008 (\$18,248 in 2007) from Mid America Clinical Laboratories, LLC (MACL). SVHHS is a 25% owner of MACL.

SVHHS purchased \$13,944 and \$12,138 in 2008 and 2007, respectively, of blood factor products from Chartwell Midwest Indiana, LLC (Chartwell). SVHHS is a 50% owner of Chartwell.

The Corporation paid \$735 and \$757 to Suburban Health Organization (SHO) in 2008 and 2007, respectively, for items such as physician recruitment dues, third party administration (TPA) services and network development. SHO processed \$34,157 and \$39,311 in claim payments for the Corporation in 2008 and 2007, respectively. SVH is a Class D stockholder of SHO.

The Corporation paid \$1,622 to NeuroOncology Equipment, LLC (Novalis) in 2008 and 2007 for rental of equipment. SVHHS is a 50% owner of Novalis.

The Corporation paid \$1,660 and \$1,588 to United Hospital Services, LLC (UHS) in 2008 and 2007, respectively, for laundry services. SVHHS is a 16.7% owner of UHS.

The Corporation paid \$805 and \$1,768 to Imaging Center of North Central Indiana, Inc. (Imaging Center) in 2008 and 2007, respectively, for magnetic resonance imaging services. St. Joseph - Kokomo was a 50% owner of the Imaging Center before it was sold December 31, 2007.

The Corporation paid \$2,809 and \$2,520 to Indiana Heart Institute, LLC (IHI) in 2008 and 2007, respectively, for heart base and coding services. SVH is a 33.3% owner of IHI.

SVHHS has a receivable from TriMedx, LLC (100% ownership by Ascension Health) of \$2,128 and \$3,191 at June 30, 2008 and 2007, respectively.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Related-Party Transactions (continued)

Care Group Cardiovascular Management, LLC (CGC) was formed to provide management services to the cardiovascular programs at SVHCI, SVHHS, St. Vincent Carmel, and Lafayette Heart Program Holdings, LLC (Lafayette). SVH is a 5% member entity of CGC and a 49% owner of Lafayette. The Corporation paid \$9,591 and \$8,541 in management fees to CGC in 2008 and 2007, respectively.

SVHCI made capital distribution payments of \$8,450 and \$7,158 to CIHSCS and \$4,550 and \$5,842 to The Care Group Heart Hospital, LLC in 2008 and 2007, respectively.

The Corporation participates in a joint venture arrangement for the operation of the Rehabilitation Hospital of Indiana, Inc. (RHI), a free-standing, not-for-profit, comprehensive rehabilitation facility. SVHHS guarantees certain amounts, not to exceed \$7,550, using a supporting letter of credit for payment of principal and interest on certain debt issued on behalf of RHI. The guarantee extends through the term of the debt and expires on November 1, 2020. A long-term liability of \$254 and \$274, respectively, has been recorded in the accompanying consolidated balance sheets at June 30, 2008 and 2007 representing the fair value of this guarantee determined using a discounted cash flow analysis.

10. Contingencies and Commitments

In addition to professional liability claims, the Corporation is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Corporation's consolidated financial statements.

St. Vincent Health, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Contingencies and Commitments (continued)

The Corporation enters into agreements with non-employed physicians that include minimum revenue guarantees. These guarantees provide financial incentives to induce physicians to relocate their practices to a health ministry that serves an area with a demonstrated community need. Guarantees are designed to assist a physician in establishing a viable medical practice in a community in order to promote the health of the community. Generally, subsidies are not provided for more than two years and the arrangement requires a commitment by the physician to practice in the community for a defined period of time. The Corporation agrees to make payments to the physician at the end of specific time periods if the gross receipts generated by the practice do not equal or exceed a specific dollar amount. The carrying amount of the liability for the Corporation's obligation under these guarantees was \$889 and \$75 at June 30, 2008 and June 30, 2007, respectively, and is included in liabilities in the accompanying consolidated balance sheets.

The maximum amount of future payments that the Corporation could be required to make under these guarantees is \$422.

Other Financial Information

St. Vincent Health, Inc.
Consolidating Balance Sheet
June 30, 2008
(Dollars in Thousands)

	Consolidated St. Vincent Health	Reclassifications and Eliminations	St. Vincent Health, Inc.	St. Vincent Medical Center Northeast, Inc.	St. Joseph Hospital & Health Center, Inc.	Saint John's Health System	St. Vincent Cardiac Services, Inc.
Assets							
Current assets:							
Cash and cash equivalents	\$ 101,358	\$ -	\$ 6,527	\$ -	\$ 5,512	\$ 7,948	\$ 14,484
Short-term Investments	30,246	-	-	-	3,655	-	21,339
Accounts receivable, less allowances for uncollectible accounts of \$72,791	239,486	-	-	-	11,833	20,212	16,431
Inventories	20,825	-	-	-	1,358	2,416	1,222
Other	14,400	(17,427)	13,737	-	668	1,481	492
Total current assets	406,315	(17,427)	20,264	-	23,026	32,057	53,968
Board-designated investments	1,099,435	-	-	-	66,182	24,726	15,312
Other investments	14,251	-	-	-	-	-	-
Assets limited as to use:							
Under bond indenture agreement	1,147	-	-	-	-	-	1,147
Temporarily or permanently restricted	53,685	-	-	-	1,760	4,717	-
Total assets limited as to use	54,832	-	-	-	1,760	4,717	1,147
Property and equipment:							
Land and improvements	51,456	-	1,070	-	3,746	7,723	7,139
Buildings and equipment	1,343,879	-	125,016	-	133,815	134,346	65,590
Construction in progress	70,615	-	33,383	-	163	137	730
Less accumulated depreciation	840,955	-	98,751	-	96,267	90,915	32,104
Total property and equipment, net	624,995	-	60,718	-	41,457	51,291	41,355
Other assets:							
Goodwill	55,257	-	-	-	-	-	55,257
Investments in unconsolidated entities	42,106	-	9,042	-	306	95	17,245
Notes and other receivables	8,319	-	2,670	-	205	78	-
Investments in land	12,375	-	1,716	535	-	-	-
Other	5,783	-	1,161	-	284	67	315
Total other assets	123,840	-	14,589	535	795	240	72,817
Total assets	\$ 2,323,668	\$ (17,427)	\$ 95,571	\$ 535	\$ 133,220	\$ 113,031	\$ 184,599

St. Vincent Health, Inc.
Consolidating Balance Sheet
June 30, 2008
(Dollars in Thousands)

	St. Vincent Hospital and Health Care Center, Inc.	St. Vincent Physician Network, LLC	St. Vincent Mercy Hospital	St. Vincent Carmel Hospital, Inc.	St. Vincent Randolph Hospital, Inc.	St. Vincent Clay Hospital, Inc.	St. Vincent New Hope, Inc.
Assets							
Current assets:							
Cash and cash equivalents	\$ 18,129	\$ 5,182	\$ 3,857	\$ 2,445	\$ 8,382	\$ 5,783	\$ 3,065
Short-term Investments	-	-	469	-	98	-	-
Accounts receivable, less allowances for uncollectible accounts of \$72,791	133,593	3,143	3,043	24,552	3,234	2,793	1,590
Inventories	11,450	127	219	1,480	481	615	-
Other	12,135	311	137	81	(10)	15	49
Total current assets	175,307	8,763	7,725	28,558	12,185	9,206	4,704
Board-designated investments	678,133	-	-	274,827	-	7,890	-
Other investments	13,842	-	-	-	-	-	-
Assets limited as to use:							
Under bond indenture agreement	-	-	-	-	-	-	-
Temporarily or permanently restricted	3,042	-	92	329	439	1,017	343
Total assets limited as to use	3,042	-	92	329	439	1,017	343
Property and equipment:							
Land and improvements	19,737	-	982	7,259	743	320	932
Buildings and equipment	646,381	8,067	28,767	89,124	26,127	17,593	7,535
Construction in progress	22,637	5,401	46	7,969	63	60	-
Less accumulated depreciation	411,299	3,897	15,683	45,026	10,087	10,092	4,658
Total property and equipment, net	277,456	9,571	14,112	59,326	16,846	7,881	3,809
Other assets:							
Goodwill	-	-	-	-	-	-	-
Investments in unconsolidated entities	13,540	-	-	1,878	-	-	-
Notes and other receivables	2,297	551	83	83	-	-	-
Investments in land	9,872	-	-	-	-	-	-
Other	2,643	939	-	274	100	-	-
Total other assets	28,352	1,490	83	2,235	100	-	-
Total assets	\$ 1,176,132	\$ 19,824	\$ 22,012	\$ 365,275	\$ 29,570	\$ 25,994	\$ 8,856

St. Vincent Health, Inc.
Consolidating Balance Sheet
June 30, 2008
(Dollars in Thousands)

	St. Vincent Frankfort Hospital, Inc.	St. Vincent Williamsport Hospital, Inc.	St. Vincent Jennings Hospital, Inc.	St. Vincent Seton Specialty Hospital, Inc.	St. Vincent Hospital Foundation, Inc.
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,774	\$ 12,297	\$ 979	\$ 3,536	\$ 458
Short-term Investments	424	-	-	-	4,261
Accounts receivable, less allowances for uncollectible accounts of \$72,791	2,427	2,556	2,629	11,450	-
Inventories	314	200	182	761	-
Other	173	(210)	81	144	2,543
Total current assets	6,112	14,843	3,871	15,891	7,262
Board-designated investments	10,332	2,039	-	10,519	9,475
Other investments	409	-	-	-	-
Assets limited as to use:					
Under bond indenture agreement	-	-	-	-	-
Temporarily or permanently restricted	164	467	122	13	41,180
Total assets limited as to use	164	467	122	13	41,180
Property and equipment:					
Land and improvements	145	280	529	851	-
Buildings and equipment	7,621	10,622	19,955	23,320	-
Construction in progress	-	8	-	18	-
Less accumulated depreciation	4,039	5,689	8,964	3,484	-
Total property and equipment, net	3,727	5,221	11,520	20,705	-
Other assets:					
Goodwill	-	-	-	-	-
Investments in unconsolidated entities	-	-	-	-	-
Notes and other receivables	26	-	-	-	2,326
Investments in land	-	252	-	-	-
Other	-	-	-	-	-
Total other assets	26	252	-	-	2,326
Total assets	\$ 20,770	\$ 22,822	\$ 15,513	\$ 47,128	\$ 60,243

St. Vincent Health, Inc.
Consolidating Balance Sheet
June 30, 2008
(Dollars in Thousands)

	Consolidated St. Vincent Health	Reclassifications and Eliminations	St. Vincent Health, Inc.	St. Vincent Medical Center Northeast, Inc.	St. Joseph Hospital & Health Center, Inc.	Saint John's Health System	St. Vincent Cardiac Services, Inc.
Liabilities and net assets							
Current liabilities:							
Current portion of long-term debt	\$ 6,121	\$ -	\$ -	\$ -	\$ 218	\$ 207	\$ 2,375
Accounts payable and accrued liabilities	159,588	-	21,138	-	8,923	11,968	10,460
Estimated third-party payor settlements, net	15,382	-	-	-	525	928	2,594
Current portion of self-insurance liabilities	3,597	-	-	-	54	131	-
Other	10,953	(17,427)	-	-	3,131	1,936	818
Total current liabilities	195,641	(17,427)	21,138	-	12,851	15,170	16,247
Noncurrent liabilities:							
Long-term debt	344,634	-	-	-	17,367	16,505	48,836
Self-insurance liabilities	216	-	-	-	28	-	-
Pension and other postretirement liabilities	39,475	-	3,135	-	1,516	2,287	-
Minority interest liability	30,902	-	-	-	87	1,736	25,845
Deferred gain on sale of medical office buildings	4,259	-	-	-	-	-	-
Other	18,111	-	4,698	-	1,613	646	-
Total noncurrent liabilities	437,597	-	7,833	-	20,611	21,174	74,681
Total liabilities	633,238	(17,427)	28,971	-	33,462	36,344	90,928
Net assets:							
Unrestricted	1,636,745	-	66,600	535	97,998	71,970	93,671
Temporarily restricted	36,319	-	-	-	1,371	4,294	-
Permanently restricted	17,366	-	-	-	389	423	-
Total net assets	1,690,430	-	66,600	535	99,758	76,687	93,671
Total liabilities and net assets	\$ 2,323,668	\$ (17,427)	\$ 95,571	\$ 535	\$ 133,220	\$ 113,031	\$ 184,599

St. Vincent Health, Inc.
Consolidating Balance Sheet
June 30, 2008
(Dollars in Thousands)

	St. Vincent Hospital and Health Care Center, Inc.	St. Vincent Physician Network, LLC	St. Vincent Mercy Hospital	St. Vincent Carmel Hospital, Inc.	St. Vincent Randolph Hospital, Inc.	St. Vincent Clay Hospital, Inc.	St. Vincent New Hope, Inc.
Liabilities and net assets							
Current liabilities:							
Current portion of long-term debt	\$ 2,335	\$ 4	\$ 183	\$ 277	\$ 189	\$ 104	\$ 22
Accounts payable and accrued liabilities	68,097	4,844	1,536	19,210	1,820	1,421	1,478
Estimated third-party payor settlements, net	7,988	369	367	825	931	202	-
Current portion of self-insurance liabilities	3,091	-	-	206	33	52	-
Other	6,295	4,808	516	4,225	599	492	308
Total current liabilities	87,806	10,025	2,602	24,743	3,572	2,271	1,808
Noncurrent liabilities:							
Long-term debt	185,940	301	12,167	22,064	15,009	8,268	1,788
Self-insurance liabilities	-	173	-	-	-	-	15
Pension and other postretirement liabilities	26,158	1,580	(114)	3,033	92	94	255
Minority interest liability	-	-	-	165	2,619	-	-
Deferred gain on sale of medical office buildings	3,219	-	-	1,040	-	-	-
Other	8,933	938	20	269	100	-	-
Total noncurrent liabilities	224,250	2,992	12,073	26,571	17,820	8,362	2,058
Total liabilities	312,056	13,017	14,675	51,314	21,392	10,633	3,866
Net assets:							
Unrestricted	861,034	6,807	7,245	313,632	7,739	14,344	4,647
Temporarily restricted	3,035	-	92	329	408	1,017	343
Permanently restricted	7	-	-	-	31	-	-
Total net assets	864,076	6,807	7,337	313,961	8,178	15,361	4,990
Total liabilities and net assets	\$ 1,176,132	\$ 19,824	\$ 22,012	\$ 365,275	\$ 29,570	\$ 25,994	\$ 8,856

St. Vincent Health, Inc.
Consolidating Balance Sheet
June 30, 2008
(Dollars in Thousands)

	St. Vincent Frankfort Hospital, Inc.	St. Vincent Williamsport Hospital, Inc.	St. Vincent Jennings Hospital, Inc.	St. Vincent Seton Specialty Hospital, Inc.	St. Vincent Hospital Foundation, Inc.
Liabilities and net assets					
Current liabilities:					
Current portion of long-term debt	\$ 7	\$ 54	\$ 140	\$ 6	\$ -
Accounts payable and accrued liabilities	3,265	1,253	875	3,295	5
Estimated third-party payor settlements, net	385	178	38	52	-
Current portion of self-insurance liabilities	9	-	-	21	-
Other	1,170	951	1,548	1,417	166
Total current liabilities	4,836	2,436	2,601	4,791	171
Noncurrent liabilities:					
Long-term debt	517	4,293	11,132	447	-
Self-insurance liabilities	-	-	-	-	-
Pension and other postretirement liabilities	461	118	294	566	-
Minority interest liability	-	-	450	-	-
Deferred gain on sale of medical office buildings	-	-	-	-	-
Other	-	-	-	-	894
Total noncurrent liabilities	978	4,411	11,876	1,013	894
Total liabilities	5,814	6,847	14,477	5,804	1,065
Net assets:					
Unrestricted	14,792	15,508	914	41,311	17,998
Temporarily restricted	164	467	122	13	24,664
Permanently restricted	-	-	-	-	16,516
Total net assets	14,956	15,975	1,036	41,324	59,178
Total liabilities and net assets	\$ 20,770	\$ 22,822	\$ 15,513	\$ 47,128	\$ 60,243

St. Vincent Health, Inc.
Consolidating Statements of Operations and Changes in Net Assets
June 30, 2008
(Dollars in Thousands)

	Consolidated St. Vincent Health	Reclassifications and Eliminations	St. Vincent Health, Inc.	St. Joseph Hospital & Health Center, Inc.	Saint John's Health System	St. Vincent Cardiac Services, Inc.	St. Vincent Hospital and Health Care Center, Inc.
Operating revenue:							
Net patient service revenue	\$ 1,707,187	\$ -	\$ -	\$ 114,618	\$ 171,828	\$ 128,072	\$ 867,741
Other revenue	43,459	(1,610)	1,880	1,676	8,334	946	25,308
Income (loss) from unconsolidated entities	13,632	-	(511)	(38)	-	2,657	6,858
Net assets released from restrictions for operations	3,964	-	236	171	281	-	2,722
Total operating revenue	1,768,242	(1,610)	1,605	116,427	180,443	131,675	902,629
Operating expenses:							
Salaries and wages	615,889	-	(1,318)	40,587	71,743	28,201	315,428
Employee benefits	167,448	(119)	995	10,813	20,980	7,021	84,065
Purchased services	141,789	(764)	59,228	5,997	3,122	16,471	37,765
Professional fees	59,960	(124)	7,362	3,756	11,116	7,455	20,183
Supplies	259,791	(33)	2,319	15,892	24,415	28,627	138,444
Insurance	7,071	-	-	436	677	215	3,744
Bad debts	112,837	-	-	8,314	16,673	6,753	43,408
Interest	16,595	(77)	20	742	705	4,308	7,594
Depreciation and amortization	79,650	-	9,949	6,270	7,973	9,277	32,913
Other	134,780	(570)	(75,489)	11,659	19,527	9,427	131,497
Total operating expenses	1,595,810	(1,687)	3,066	104,466	176,931	117,755	815,041
Income (loss) from operations	172,432	77	(1,461)	11,961	3,512	13,920	87,588
Nonoperating (losses) gains:							
Investment (loss) income	(305)	(77)	100	(80)	204	1,188	(994)
Income from unconsolidated entities	1,700	-	1,515	22	-	-	163
Other	(9,672)	-	2,483	(92)	(1,966)	(6,571)	(1,344)
Total nonoperating (losses) gains, net	(8,277)	(77)	4,098	(150)	(1,762)	(5,383)	(2,175)
Excess (deficiency) of revenue and gains over expenses	\$ 164,155	\$ -	\$ 2,637	\$ 11,811	\$ 1,750	\$ 8,537	\$ 85,413

St. Vincent Health, Inc.
Consolidating Statements of Operations and Changes in Net Assets
June 30, 2008
(Dollars in Thousands)

	St. Vincent Physician Network, LLC	St. Vincent Mercy Hospital	St. Vincent Carmel Hospital, Inc.	St. Vincent Randolph Hospital, Inc.	St. Vincent Clay Hospital, Inc.	St. Vincent New Hope, Inc.	St. Vincent Frankfort Hospital, Inc.
Operating revenue:							
Net patient service revenue	\$ 33,268	\$ 28,703	\$ 163,659	\$ 27,279	\$ 22,776	\$ 18,691	\$ 29,726
Other revenue	484	491	2,374	420	204	2	608
Income (loss) from unconsolidated entities	–	–	4,943	(277)	–	–	–
Net assets released from restrictions for operations	–	79	159	90	13	39	18
Total operating revenue	33,752	29,273	171,135	27,512	22,993	18,732	30,352
Operating expenses:							
Salaries and wages	26,746	11,742	44,111	9,293	6,438	11,378	8,415
Employee benefits	5,791	3,427	12,196	2,558	2,033	4,015	2,440
Purchased services	335	1,365	4,579	973	2,163	618	2,378
Professional fees	75	1,334	3,030	992	578	271	1,107
Supplies	3,549	2,157	25,426	2,754	2,760	599	2,249
Insurance	505	147	333	182	96	104	142
Bad debts	2,304	5,458	8,001	5,401	3,079	–	4,192
Interest	13	526	917	641	353	76	22
Depreciation and amortization	787	909	5,291	1,082	1,112	403	769
Other	6,269	2,825	12,141	2,294	1,756	1,246	4,538
Total operating expenses	46,374	29,890	116,025	26,170	20,368	18,710	26,252
Income (loss) from operations	(12,622)	(617)	55,110	1,342	2,625	22	4,100
Nonoperating (losses) gains:							
Investment (loss) income	84	27	(805)	57	22	31	(81)
Income from unconsolidated entities	–	–	–	–	–	–	–
Other	–	(22)	(555)	–	(15)	–	–
Total nonoperating (losses) gains, net	84	5	(1,360)	57	7	31	(81)
Excess (deficiency) of revenue and gains over expenses	\$ (12,538)	\$ (612)	\$ 53,750	\$ 1,399	\$ 2,632	\$ 53	\$ 4,019

St. Vincent Health, Inc.
Consolidating Statements of Operations and Changes in Net Assets
June 30, 2008
(Dollars in Thousands)

	St. Vincent Williamsport Hospital, Inc.	St. Vincent Jennings Hospital, Inc.	St. Vincent Seton Specialty Hospital, Inc.	St. Vincent Pediatric Rehabilitation Center, Inc.	St. Vincent Hospital Foundation, Inc.
Operating revenue:					
Net patient service revenue	\$ 22,587	\$ 25,078	\$ 53,246	\$ (85)	\$ –
Other revenue	617	170	122	3	1,430
Income (loss) from unconsolidated entities	–	–	–	–	–
Net assets released from restrictions for operations	–	30	6	–	120
Total operating revenue	23,204	25,278	53,374	(82)	1,550
Operating expenses:					
Salaries and wages	8,538	9,160	25,429	(2)	–
Employee benefits	2,636	2,902	5,678	17	–
Purchased services	1,475	1,083	4,243	(6)	764
Professional fees	243	1,388	1,075	5	114
Supplies	1,454	2,145	6,997	2	35
Insurance	127	253	110	–	–
Bad debts	3,330	5,162	842	(80)	–
Interest	183	553	19	–	–
Depreciation and amortization	421	717	1,712	65	–
Other	1,308	2,232	4,734	18	(632)
Total operating expenses	19,715	25,595	50,839	19	281
Income (loss) from operations	3,489	(317)	2,535	(101)	1,269
Nonoperating (losses) gains:					
Investment (loss) income	161	9	(1)	8	(158)
Income from unconsolidated entities	–	–	–	–	–
Other	–	–	–	–	(1,590)
Total nonoperating (losses) gains, net	161	9	(1)	8	(1,748)
Excess (deficiency) of revenue and gains over expenses	\$ 3,650	\$ (308)	\$ 2,534	\$ (93)	\$ (479)

St. Vincent Health, Inc.
Consolidating Statements of Operations and Changes in Net Assets
June 30, 2008
(Dollars in Thousands)

	Consolidated St. Vincent Health	Reclassifications and Eliminations	St. Vincent Health, Inc.	St. Vincent Medical Center Northeast, Inc.	St. Joseph Hospital & Health Center, Inc.	Saint John's Health System	St. Vincent Cardiac Services, Inc.
Unrestricted net assets:							
Excess (deficiency) of revenue and gains over expenses	\$ 164,155	\$ -	\$ 2,637	\$ -	\$ 11,811	\$ 1,750	\$ 8,537
Transfer from (to) sponsor and other affiliates, net	26,465	-	3,317	(8,112)	339	367	-
Net assets released from restrictions for property acquisitions	7,782	-	1,319	-	231	149	28
Other	(3,319)	-	(206)	-	529	(177)	-
Increase (decrease) in unrestricted net assets	195,083	-	7,067	(8,112)	12,910	2,089	8,565
Temporarily restricted net assets:							
Contributions	10,227	-	1,250	-	605	383	-
Net change in unrealized gain/losses on investments	(2,015)	-	-	-	-	(479)	-
Investment income	1,462	-	-	-	-	335	-
Net assets released from restrictions	(11,746)	-	(1,555)	-	(401)	(430)	(28)
Other	3,095	-	305	-	201	-	28
Increase (decrease) in temporarily restricted net assets	1,023	-	-	-	405	(191)	-
Permanently restricted net assets:							
Contributions	458	-	-	-	1	-	-
Net change in unrealized gains/losses on investments	416	-	-	-	-	-	-
Investment income	75	-	-	-	-	-	-
Other	(1,814)	-	-	-	-	-	-
(Decrease) increase in permanently restricted net assets	(865)	-	-	-	1	-	-
Increase (decrease) in net assets	195,241	-	7,067	(8,112)	13,316	1,898	8,565
Net assets, beginning of the year	1,495,189	-	59,533	8,647	86,442	74,789	85,106
Net assets, end of the year	\$ 1,690,430	\$ -	\$ 66,600	\$ 535	\$ 99,758	\$ 76,687	\$ 93,671

St. Vincent Health, Inc.
Consolidating Statements of Operations and Changes in Net Assets
June 30, 2008
(Dollars in Thousands)

	St. Vincent Hospital and Health Care Center, Inc.	St. Vincent Physician Network, LLC	St. Vincent Mercy Hospital	St. Vincent Carmel Hospital, Inc.	St. Vincent Randolph Hospital, Inc.	St. Vincent Clay Hospital, Inc.	St. Vincent New Hope, Inc.
Unrestricted net assets:							
Excess (deficiency) of revenue and gains over expenses	\$ 85,413	\$ (12,538)	\$ (612)	\$ 53,750	\$ 1,399	\$ 2,632	\$ 53
Transfer from (to) sponsor and other affiliates, net	23,612	11,867	297	(362)	199	83	907
Net assets released from restrictions for property acquisitions	5,354	-	18	-	49	89	147
Other	(8,663)	139	108	(362)	(16)	(18)	(266)
Increase (decrease) in unrestricted net assets	105,716	(532)	(189)	53,026	1,631	2,786	841
Temporarily restricted net assets:							
Contributions	2	-	25	-	124	40	-
Net change in unrealized gain/losses on investments	(163)	-	-	(21)	-	(58)	(6)
Investment income	170	-	-	23	-	58	11
Net assets released from restrictions	(8,077)	-	(97)	(159)	(139)	(102)	(186)
Other	8,374	-	49	189	55	76	242
Increase (decrease) in temporarily restricted net assets	306	-	(23)	32	40	14	61
Permanently restricted net assets:							
Contributions	-	-	-	-	-	-	-
Net change in unrealized gains/losses on investments	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
(Decrease) increase in permanently restricted net assets	-	-	-	-	-	-	-
Increase (decrease) in net assets	106,022	(532)	(212)	53,058	1,671	2,800	902
Net assets, beginning of the year	758,054	7,339	7,549	260,903	6,507	12,561	4,088
Net assets, end of the year	\$ 864,076	\$ 6,807	\$ 7,337	\$ 313,961	\$ 8,178	\$ 15,361	\$ 4,990

St. Vincent Health, Inc.
Consolidating Statements of Operations and Changes in Net Assets
June 30, 2008
(Dollars in Thousands)

	St. Vincent Frankfort Hospital, Inc.	St. Vincent Williamsport Hospital, Inc.	St. Vincent Jennings Hospital, Inc.	St. Vincent Seton Specialty Hospital, Inc.	St. Vincent Pediatric Rehabilitation Center, Inc.	St. Vincent Hospital Foundation, Inc.
Unrestricted net assets:						
Excess (deficiency) of revenue and gains over expenses	\$ 4,019	\$ 3,650	\$ (308)	\$ 2,534	\$ (93)	\$ (479)
Transfer from (to) sponsor and other affiliates, net	106	37	219	925	93	(7,429)
Net assets released from restrictions for property acquisitions	83	8	24	283	-	-
Other	570	134	(82)	(382)	(3,434)	8,807
Increase (decrease) in unrestricted net assets	4,778	3,829	(147)	3,360	(3,434)	899
Temporarily restricted net assets:						
Contributions	-	-	52	-	-	7,746
Net change in unrealized gain/losses on investments	-	-	-	-	-	(1,288)
Investment income	-	-	-	-	-	865
Net assets released from restrictions	(101)	(8)	(54)	(289)	-	(120)
Other	229	68	52	302	-	(7,075)
Increase (decrease) in temporarily restricted net assets	128	60	50	13	-	128
Permanently restricted net assets:						
Contributions	-	-	-	-	-	457
Net change in unrealized gains/losses on investments	-	-	-	-	-	416
Investment income	-	-	-	-	-	75
Other	-	-	-	-	-	(1,814)
(Decrease) increase in permanently restricted net assets	-	-	-	-	-	(866)
Increase (decrease) in net assets	4,906	3,889	(97)	3,373	(3,434)	161
Net assets, beginning of the year	10,050	12,086	1,133	37,951	3,434	59,017
Net assets, end of the year	\$ 14,956	\$ 15,975	\$ 1,036	\$ 41,324	\$ -	\$ 59,178

St. Vincent Health, Inc.

Schedule of Net Cost of Providing Care of Persons
Who are Poor and Community Benefit Programs
(Dollars in Thousands)

Year Ended June 30, 2008

The net cost to the Corporation of providing care of persons who are poor and community benefit programs is as follows:

Traditional charity care provided	\$ 28,048
Unpaid cost of public programs for the poor	74,965
Other programs for the poor	4,023
Community benefit programs	<u>22,198</u>
Care of persons who are poor and community benefit programs	<u>\$ 129,234</u>