Community Health Network, Inc. and Affiliates

Consolidated Financial Statements
December 31, 2011 and 2010

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December 31, 2011 and 2010

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Report of Independent Auditors

To the Board of Directors of
Community Health Network, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and changes in net assets and cash flows present fairly, in all material respects, the financial position of Community Health Network, Inc. and Affiliates (the "Network") at December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As discussed in Note 1 to the consolidated financial statements, the Network changed its presentation of revenues and provision for doubtful accounts as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities.

PricewaterhouseCoopers LLP

April 18, 2012

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Community Health Network, Inc. and Affiliates
Consolidated Balance Sheets (in 000's)
Years Ended December 31, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 164,305	$ 144,127
Restricted cash	2,851	2,400
Patient accounts receivable, less allowance for doubtful accounts and contractual adjustments of $441,756 and $407,575 in 2011 and 2010	185,422	175,904
Estimated third-party payor settlements	11,404	6,406
Assets limited as to use—held by trustee	13,176	9,530
Inventories	21,521	19,325
Other accounts receivable	19,061	18,300
Other current assets	20,841	10,684
Total current assets	438,581	386,676
Assets limited as to use		
Funds held by trustee, net of current portion	13,642	13,865
Board-designated funds	401,236	404,248
Reinsurance trust assets	12,801	11,616
Property, plant and equipment, net	682,163	650,149
Investments in unconsolidated affiliates	20,279	19,394
Intangible assets, net of accumulated amortization - software	12,255	-
Intangible assets, net of accumulated amortization - deferred financing costs	7,045	7,415
Due from (to) unconsolidated affiliates and related parties, net	801	1,387
Prepaid pension and postretirement assets	959	1,943
Other assets	7,516	7,693
Total assets	$ 1,597,278	$ 1,504,386
Liabilities and net assets		
Current liabilities		
Short-term borrowings	$ 43,146	$ 18,646
Current portion of long-term debt	17,141	16,679
Accounts payable	81,598	70,973
Accrued salaries and wages	61,262	40,569
Accrued interest	2,505	2,710
Pension underfunded liability - current	18,047	-
Estimated third-party payor settlements	3,537	2,867
Incurred but not reported liabilities	25,828	25,335
Other current liabilities	12,856	20,153
Total current liabilities	265,920	197,932
Accrued postretirement benefit cost	4,537	4,277
Accrued pension	52,471	83,193
Long-term debt, net of current portion	413,932	424,687
Pension underfunded liability- long-term	114,255	30,779
Other liabilities	9,740	6,973
Total liabilities	860,855	747,841
Net assets		
Unrestricted net assets		
Network unrestricted net assets	715,695	736,022
Noncontrolling interest	11,738	11,294
Total unrestricted net assets	727,433	747,316
Temporarily restricted net assets	4,673	4,987
Permanently restricted net assets	4,317	4,242
Total net assets	736,423	756,545
Total liabilities and net assets	$ 1,597,278	$ 1,504,386

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets (in 000's)
Years Ended December 31, 2011 and 2010

	2011	2010
Revenues and gains		
Net patient service revenue	$ 1,332,963	$ 1,213,135
Provisions for bad debts	72,765	$ 63,585
Net patient service revenue less provision for bad debts	1,260,198	1,149,550
Service fee revenue	21,519	23,967
Other revenue	53,429	75,130
Other revenue - Electronic Health Record Incentive payments	12,635	-
Equity in earnings of unconsolidated affiliates	10,958	9,868
Total unrestricted revenues and gains	1,358,739	1,258,515
Operating expenses		
Salaries and benefits	725,372	662,252
Supplies and other expenses	478,771	466,815
Depreciation and amortization	64,511	70,248
Provision for bad debts	1,209	1,684
Interest and financing costs	13,202	12,554
Total operating expenses	1,283,065	1,213,553
Income from operations	75,674	44,962
Realized and unrealized (losses) gains on investments, net	(16,386)	51,668
Excess of net assets acquired in Westview Acquisition	34,636	-
Other, net	(10)	690
Excess of revenues over expenses and noncontrolling interests before income taxes	93,914	97,320
(Benefit) provision for income taxes	(2,958)	4,991
Excess of revenues over expenses	96,872	92,329
Excess of revenues attributable to noncontrolling interest	(14,932)	(13,052)
Excess of revenues over expenses attributable to the Network	$ 81,940	$ 79,277

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets (in 000's)
Years Ended December 31, 2011 and 2010

	2011	2010
Change in unrestricted net assets		
Excess of revenues over expenses attributable to the Network	$ 81,940	$ 79,277
Under (over) funding of pension assets, net	(102,507)	57,268
Change in noncontrolling interest	444	(860)
Other changes, net	240	363
(Decrease) increase in total unrestricted net assets	(19,883)	136,048
Change in temporarily restricted net assets		
Restricted contributions received	1,383	865
Net assets released from restrictions	(1,522)	(1,529)
Investment (loss) income	(175)	298
Decrease in temporarily restricted net assets	(314)	(366)
Change in permanently restricted net assets		
Restricted contributions received	77	155
Other	(2)	(11)
Increase in permanently restricted net assets	75	144
(Decrease) increase in total net assets	(20,122)	135,826
Total net assets, beginning of year	756,545	620,719
Total net assets, end of year	$ 736,423	$ 756,545

The accompanying notes are an integral part of these financial statements.

Community Health Network, Inc. and Affiliates
Consolidated Statements of Cash Flows (in 000's)
December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
(Decrease) increase in net assets	$ (20,122)	$ 135,826
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	64,511	70,248
Provision for bad debts	73,974	65,269
Deferred tax benefit	(7,772)	(26)
Increase in net assets from the Westview acquisition	(42,136)	-
Equity in earnings of unconsolidated affiliates	(10,958)	(9,868)
Net changes in unrealized (gains) losses on investments	46,814	(36,231)
Other non cash charges, net	1,760	6,674
Change in (over)/underfunded pension/postretirement liabilities/assets	102,507	(57,268)
Distributions received from unconsolidated affiliates	10,556	9,956
Change in prepaid pension cost	(30,722)	(4,893)
Investment income received	9,862	5,857
Other adjustments	(601)	886
Changes in operating assets and liabilities		
Patient accounts receivable	(75,233)	(79,181)
Other assets	(4,205)	(1,612)
Accounts payable	3,146	5,688
Estimated third-party payor settlements	(4,729)	149
Other liabilities	13,428	19,813
Net cash provided by operating activities	130,080	131,287
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(57,955)	(50,894)
Acquisitions of property, plant and equipment-CHS Expansion	-	(40,753)
Acquisitions of intangible asset - software	(12,255)	-
Proceeds from sale (purchase of) property, plant and equipment	(431)	418
(Purchases)/sales of investments, net	(51,245)	1,727
Investments in unconsolidated affiliates	-	(152)
Cash acquired in the acquisition of Westview and its affiliates	5,354	-
Distributions received from unconsolidated affiliates	-	160
Due to unconsolidated affiliates and related parties, net	1,301	981
Net cash used in investing activities	(115,231)	(88,513)
Cash flows from financing activities		
Proceeds from issuance of debt	24,500	5,146
Repayments of debt	(17,535)	(14,552)
Changes in restricted contributions and investment income	(1,636)	(674)
Cash flows provided by (used in) financing activities	5,329	(10,080)
Net increase in cash and cash equivalents	20,178	32,694
Cash and cash equivalents, beginning of year	144,127	111,433
Cash and cash equivalents, end of year	$ 164,305	$ 144,127
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	$ 13,450	$ 13,608
Income taxes	$ 4,722	$ 5,332
Non cash disclosures of cash flow information		
Acquisition of property, plant and equipment included in accounts payable at December 31	$ 4,838	$ 5,941

1. Organization and Summary of Significant Accounting Policies

Organization

Community Health Network, Inc, an Indiana non-profit corporation and its non-profit and for-profit affiliates (collectively the "Network") comprise a full-service integrated health delivery system in central Indiana. The Network operates five acute care hospitals as well as a specialty hospital, nine immediate care centers, a primary and specialty care physician organization, forty ambulatory care centers, ten freestanding surgery centers, seven outpatient imaging centers, two ambulatory endoscopy centers, four nursing homes and an assisted living facility.

Effective December 31, 2011, Community Health Network, Inc. merged into Community Hospitals of Indiana, Inc. Community Hospitals of Indiana, Inc. was the surviving corporation. Upon completion of the merger, Community Hospitals of Indiana, Inc. was renamed Community Health Network, Inc. ("CHNw"). CHNw is a non-profit corporation which operates two acute care hospital facilities on the northeast and eastern sides of Indianapolis.

Effective August 1, 2011, the Network affiliated with Indianapolis Osteopathic Hospital, Inc. d/b/a Westview Hospital and its affiliates (collectively "Westview"). The intent of the affiliation is to provide expanded services to residents in central Indiana. The affiliation was accounted for as an acquisition and thus the net assets and operations of Westview are included in the Network's consolidated financial statements beginning August 1, 2011. See Note 14.

Effective June 1, 2011, the Network entered into a clinical collaboration agreement with Johnson Memorial Hospital ("Johnson"). The intent of the collaboration is to provide higher quality and more affordable primary and secondary care to Johnson County residents. The collaboration agreement does not change any management, ownership or governance structures of Johnson.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP" or "GAAP") and include the assets, liabilities, revenues and expenses of all wholly owned subsidiaries, majority owned subsidiaries and when applicable, entities for which the Network has a controlling interest.

The consolidated financial statements include the following wholly owned entities:

- Community Hospital South, Inc. ("CHS"), a non-profit corporation which operates an acute care hospital facility on the south side of Indianapolis; CHNw and CHS are collectively referred to as ("Community Hospitals Indiana");
- Community Hospitals of Anderson and Madison County, Inc. ("CHA"), a non-profit corporation which provides acute health care services to residents of Anderson, Indiana and surrounding communities;
- Indianapolis Osteopathic Hospital, Inc. d/b/a Westview Hospital, a non-profit corporation which provides acute health care services to residents on the west side of Indianapolis. Health Institute of Indiana, Inc. ("Healthplex") is a non-profit wholly owned fitness center of Westview. Westview Hospital Foundation, Inc. ("Foundation") is a non-profit corporation organized to support the activities of Westview;
- Community Physicians of Indiana, Inc. ("CPI") d/b/a Community Physicians Network, a non-profit corporation which employs the Network's primary care and specialty physicians;
- Community Health Network Foundation, Inc. ("Foundation"), a non-profit corporation established to raise and expend funds for the benefit of CHNw and other related organizations;

- Visionary Enterprises, Inc. ("VEI"), a taxable, for-profit subsidiary corporation which consists primarily of ambulatory surgery center development in Indiana and Michigan, and management and other consulting services;
- Community Home Health Services, Inc. ("CHHS"), a non-profit corporation whose operations consist primarily of providing home health care and hospice services to patients in thirteen central Indiana counties; CHHS consolidates its wholly owned subsidiary, Community at Home, LLC, a non-profit Indiana corporation which provides sales of home health care products;
- Indiana ProHealth Network, Inc., a provider association consisting of physicians and hospital members in central Indiana and the primary vehicle by which the Network contracts for risk with payors. Effective December 31, 2011, Indiana ProHealth Network, Inc. was merged with VEI-ProHealth, Inc. which was converted to Indiana Pro Health Network, LLC ("ProHealth"). ProHealth is a subsidiary of VEI;
- Indiana Heart Hospital, LLC ("IHH") d/b/a Community Heart and Vascular, a non-profit corporation which operates a specialty hospital specializing in cardiac care as well as provides cardiac services to CHNw;
- CHN Assurance Company, Ltd. ("Captive") is a company incorporated under the law of the Cayman Islands and wholly owned subsidiary of CHNw. The Captive reinsures policies for the Network including: primary hospital professional liability, doctor's professional liability and general liability. The Captive's professional liability policy is on a claims made basis and includes prior acts coverage for various entities owned by the Network, while the general liability policy is on an occurrence basis. On an annual basis, the Captive's ceding insurer requires the Captive to maintain an outstanding letter of credit to address any potential exposure between premiums paid and expected losses. Due to favorable claims experience and adequate funding, the fronting company no longer requires a letter of credit for the policy years beginning March 1, 2011 and 2012, respectively.

- The Network also consolidates its interest in the following entities:
  - South Campus Surgery Center, LLC ("SCSC")
  - North Campus Surgery Center, LLC ("NCSC")
  - East Campus Surgery Center, LLC ("ECSC")
  - Hamilton Surgery Center, LLC ("Noblesville")
  - Surgicare LLC ('Surgicare"),
  - Community LTC, Inc. ("LTC")
  - Effective December 31, 2010, Community Business Innovations, Inc. ("CBI") was merged into CHNw and is no longer a separate legal entity.

Significant intercompany accounts and transactions have been eliminated.

On January 26, 2012, CHNw signed a letter of intent to affiliate with Howard Regional Health System, Inc. ("Howard"). Howard is a county owned health system which operates an acute care hospital in Kokomo, Indiana.

Use of Estimates in the Preparation of Financial Statements
The preparation of the consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to: (a) allowance for contractual

revenue adjustments, (b) allowance for doubtful accounts; (c) depreciation lives of long-lived assets and (d) reserves for professional, workers' compensation and comprehensive general insurance liabilities risk. Future events and their effects cannot be predicated with certainty; accordingly the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. The Network evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and funds invested temporarily in money market accounts that are purchased with original maturities of three months or less.

The Network has entered into overnight sweep transaction agreements to purchase and resell direct obligations of, or obligations that are insured as to principal and interest by, U.S. Government agencies. At December 31, 2011 and 2010, cash and cash equivalents include $22,465 and $47,175, respectively, of overnight sweep transaction agreements.

Restricted Cash
As of December 31, 2011 and 2010, CHNw has restricted cash of $2,851 and $2,400, respectively, related to collateral calls on its 1995 Series debt as well as collateral related to CHNw's guarantee of Westview's long-term debt. The monies are held in a separate cash account and can only be used to fund the collateral call requirements issued by the bank. As the fair value of the debt outstanding increases, the monies are released by the bank into CHI's operating cash account.

Allowance for Doubtful Accounts
The Network's accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Network analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts, provision for bad debts and provision for charity. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third party coverage, the Network analyzes contractually due amounts and provides an allowance for doubtful accounts, provision for bad debts and charity for expected uncollectible deductibles and co-insurances. For receivables associated with self-pay patients, the Network records a provision for bad debts and charity in the period of service on the basis of its past experience, which indicates many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. For CHNw, CHS, VEI and IHH accounts that are sent to collection companies the accounts remain as accounts receivable on the balance sheet. These accounts are not written off unless returned from the collection company. As such the allowance for doubtful accounts is significant for this component of the accounts receivable.

The Network's allowance for doubtful accounts increased by 9.56% in fiscal year 2011 from fiscal year 2010. This increase is the result of accounts that were transferred to the collection company during fiscal year 2011. For CHNw, CHS, VEI and IHH accounts transferred to collections during fiscal year 2011 represented 10.86% of the total gross accounts receivable. In fiscal year 2011

Westview was consolidated onto the Network financial statements which attributed to $2,985 of the overall increase from fiscal year 2010. The Network has not changed its charity care or uninsured discount policies during fiscal years 2011 or 2010.

Inventories
Inventories consist primarily of medical and surgical supplies and pharmaceuticals. All inventories are valued at the lower-of-cost or market. Cost is determined by the Network using a weighted average cost method, which approximates cost under the first-in, first-out method.

Assets Limited as to Use
Assets limited as to use consist of cash and cash equivalents, U.S. Government obligations, corporate bonds, and marketable equity securities, and are stated at fair value. The fair values of these investments are based on quoted market prices. The investments are classified as trading securities. The trading securities classification is based on the Network's investment strategy and investment philosophies which permits investment managers to execute purchases and sales of investments without prior approval of Network management. All unrestricted unrealized holding gains and losses are recorded in investment income in the period in which they occur.

Reinsurance trust assets are maintained by the Captive. All realized and unrealized gains or losses are recorded in income. For reinsurance trust assets, fair value is determined as described in Note 3. Realized gains and losses on sales of investments are determined using the specific identification cost method and are included in excess of revenues over expenses.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost or, if donated, at the fair value at date of donation. Assets under capital lease obligations are recorded at the present value of the aggregate future minimum lease payments at the beginning of the lease term. For financial statement purposes, the Network primarily uses the straight-line method of computing depreciation over the shorter of the estimated useful lives of the respective assets or the life of the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured.

Costs of maintenance and repairs are charged to expense when incurred; costs of renewals and betterments are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the consolidated statements of operations and changes in net assets.

Long-lived assets are evaluated for possible impairment whenever circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from future estimated cash flows. Fair value estimates are derived from independent appraisals, established market values of comparable assets or internal calculations of future estimated cash flows.

Change in Estimates for Long-lived Assets
The Network periodically performs assessments of the estimated useful lives of its long-lived assets. In evaluating the useful lives, the Network considers how long the long-lived assets will remain functionally efficient and effective, given changes in the physical and economic environments, the levels of technology and competitive factors. If the assessment indicates that the long-lives assets will continue to be used for a longer period than previously anticipated, the Network will revise the estimated useful lives resulting in a change in estimate. Changes in estimates are accounted for on a prospective basis by depreciating the assets current carrying values over their revised remaining useful lives.

Investments in Unconsolidated Affiliates
Investments in affiliates not controlled by the Network are reported under the equity method of accounting. Under the equity method, the investments are initially recorded at cost, increased or decreased by the investor's share of the profits or losses of the investee and reduced by cash distributions received. Distributions received from investees that represent a return on investment are classified as operating cash flows on the consolidated statement of cash flows. Those distributions that represent a return of investment are classified as investing cash flows.

Intangible Assets
Bond discounts and other costs associated with the issuance of long-term debt, principally underwriters' fees, are carried at cost, net of accumulated amortization. These amounts are amortized to interest expense using the effective interest method over the life of the bonds. Software costs are record at cost. The software costs are amortized over the estimated useful lives of the software. The estimated useful lives range from 7-10 years.

Self-Insured Risk
A substantial portion of the Network's professional and general liability risks except for Westview are insured through a self-insured retention program written by the Network's consolidated wholly-owned offshore captive insurance subsidiary, the Captive, as previously described.

Reserves for professional and general liability risks, including incurred but not reported claims, were $12,707 and $11,723 at December 31, 2011 and 2010, respectively. These amounts are recorded and included in the Captive's incurred but not reported liabilities in the accompanying consolidating balance sheets.

Westview's professional and general liability risks are insured through a self-insurance retention program written by Suburban Health Organization Segregated Portfolio Company, LLC ("SHO Captive"), a captive insurance company. Westview is a member of the SHO Captive through a 20% ownership interest. Westview accounts for its interest in the SHO Captive through the equity method of accounting. The premiums paid to the SHO Captive are reflected in Westview's operating expenses in the accompanying consolidating statement of operations.

Provisions for the self-insured risks are based upon actuarially determined estimates. Loss and loss expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The changes to the estimated reserve amounts are included in current operating results.

The Network is self-insured for employee medical benefit risks through ProHealth except for Westview which is self-insured. Reserves for medical claims liabilities and estimated incurred but not reported claims were $12,686 and $14,576 at December 31, 2011 and 2010, respectively. These amounts are recorded and included in ProHealth's incurred but not reported liabilities in the accompanying consolidating balance sheets for the Network excluding Westview. Westview recorded the amounts in accrued salaries and wages. Incurred but not reported claims reserves represent estimates for claims that are incurred but not reported. These estimates are determined using individual case-basis data and are continually reviewed and adjusted as new experienced information becomes known. The changes in estimated reserve amounts are included in current operating results.

Although considerable variability is inherent in reserve estimates, management believes the reserves for losses and loss expenses are adequate; however, there can be no assurance that the ultimate liability will not exceed management's estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity.

Net Patient Service Revenue

The Network recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Network recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if in accordance with policy. On the basis of historical experience, a portion of the Network's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Network records a provision for bad debts and charity related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances, discounts and charity allowances recognized in the period from these major payor sources, is as follows:

(in Thousands)	Third Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 1,276,969	$ 55,994	$ 1,332,963

Charity Care

The Network maintains records to identify and monitor the level of charity care it provides. The Network provides charity care to patients whose income level is below 200% of the Federal Poverty Level. Effective January 1, 2010, the Network early adopted Accounting Standards Update (“ASU”) No. 2010-23, *Health care Entities (Topic 954): Measuring Charity Care for Disclosure*. As a result of ASU No. 2010-23, the Network uses cost as the measurement basis for charity care disclosure purposes with the cost being identified as the direct and indirect costs of providing the charity care.

Charity care includes the amount of costs forgone for services and supplies furnished under its charity care policy and was $26,939 and $25,693 for the years ended December 31, 2011 and 2010, respectively. Charity care cost was determined on the application of the associated cost-to-charge ratios.

Donor-restricted Gifts

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

The following is a summary of pledge receivables as of December 31, 2011 and 2010.

	2011	2010
Pledge receivables in less than one year	$ 1,135	$ 788
Pledge receivables in one to five years	571	1,291
Pledge receivables in more than five years	38	55
	1,744	2,134
Less: allowance for doubtful accounts and discounts	286	342
	$ 1,458	$ 1,792

Electronic Health Record Incentive Payments

The America Recovery and Reinvestment Act of 2009 ("ARRA") established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology. Under the programs incentive payments will be paid out over a four year period to hospitals and physicians meeting designated EHR meaningful use criteria. The Centers for Medicare and Medicaid Services ("CMS") has chosen to take a phased approach to defining meaningful use (through three stages), using criteria that becomes more stringent over time.

The definition of the stages are as follows:

Stage 1- The hospital must electronically capture health information in a coded format. Additionally, the hospital must use EHR technology during the meaningful use period to meet 14 required objectives. The hospital must also elect five additional objectives to meet.

Stage 2- The hospital expands on Stage 1 to focus on continuous quality improvement at point of care. Additionally, the hospital must demonstrate greater use of computerized physician order entry and more exchange of information.

Stage 3- The hospital expands on the previous stages to focus on promoting improvements in quality, safety and efficiency with an emphasis on decision support, patient access to self-management tools, access to comprehensive patient data and improving population health.

In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital:

- Used certified EHR technology and specify the technology used;
- Satisfied the required meaningful use objectives and associated measures for the applicable stage;
- Must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient and emergency department of the hospital during the EHR reporting period for which a selected measure is applicable.

The results of the measurements are required to be submitted to CMS. For Medicare and Medicaid, the meaningful use periods follow the Federal fiscal year of October 1 to September 30. Meaningful use is measured on a year by year basis. The EHR reporting period for the first payment year is any continuous 90 day period. Subsequent payments years are 365 days per year.

The incentive payments are computed as the product of a base amount times the number of discharges times a Medicare factor computed based on inpatient days and charity care charges times a transition factor as determined by CMS.

The Network recognizes the EHR incentives payments using a government grant recognition model. The Network determined the EHR incentive payments are similar to grants that are related to income and recognizes the incentive payments ratably over each meaningful use period. The Network recognizes the incentive payments when it is reasonably assurance that it will comply with the conditions attached to them and that the grants will be received.

The recognition of the income related to the EHR incentive payments is based on Network management's best estimates and the amounts are subject to change, with such changes impacting the operations in the period in which they occur. Any material changes would be disclosed by the Network as a change in accounting estimate. The Network recognized $12,635 for the year ended December 31, 2011.

Acquisition Costs
The Network records acquisitions costs as incurred as operating expenses.

Tax Status
CHNw, CHS, CHA, CHHS, CPI, IHH and Westview are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (the "Code"), and the Foundation is exempt from federal income taxes under Section 501a(c) (3) of the Code. IHH filed its Form 1023 application timely and is awaiting determination from the Internal Revenue Service. VEI is a for-profit taxable entity and is subject to federal and state income taxes. ProHealth, NCSC, SCSC, ECSC, Noblesville, Surgicare and MSI are generally not subject to federal or state income taxes as income earned flows through to its members.

Fair Value of Financial Instruments/Measurements
The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities approximate fair value because of the relatively short maturities of these financial instruments. The fair value of long-term debt was determined using discounted future cash flows, with a discount rate equal to interest rates for similar types of borrowing arrangements.

The fair value of the Network's long-term debt instruments and related interest approximates $429,457 and $429,724 as compared to carrying values of $431,073 and $441,366 as of December 31, 2011 and 2010, respectively.

The Network measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Network uses also a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Network uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1- Observable inputs such as quoted prices in active markets;

- Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3- Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach- Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach- Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

- Income approach- Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models.)

Subsequent Events
The Network evaluated subsequent events through April 18, 2012, the date the Network consolidated financial statements were issued. All material matters are disclosed in the footnotes to the consolidated financial statements.

New Accounting Pronouncements
Effective January 1, 2011, the Network adopted ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability. The adoption did not have a material impact on the Network's financial condition, results of operations or cash flows.

Effective January 1, 2011, the Network adopted ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities,* which requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The early adoption of ASU 2011-07 is reflected in the Network's 2011 and 2010 consolidated financial statements and footnotes.

Effective January 1, 2011, the Network adopted ASU 2011-08, *Intangibles- Goodwill and Other (Topic 350): Testing Goodwill for Impairment* which permits an entity to first assess 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 test. The early adoption of this standard did not have any impact on the Network's financial conditions, results or operations or cash flows.

2. Net Patient Service Revenue and Concentrations of Credit Risk

The Network has agreements with third-party payors that provide for payments to the Network at amounts different from its established rates. Payment arrangements with major third-party payors include:

- Medicare—Inpatient acute care services, outpatient services and home health services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Network is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Network and audits thereof by the Medicare fiscal intermediary. The Network's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2010. The Network is awaiting final audit reports to be issued. Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates could change by a material amount in the near term. Adjustments to revenue related to prior period cost reports increased net patient service revenue by approximately $167 and $5,013 for the years ended December 31, 2011 and 2010, respectively. Medicare patients account for approximately 41.1% and 39.1% of gross patient charges for years ended December 31, 2011 and 2010, respectively.

- Medicaid—Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge and outpatient services are reimbursed based on a fee for service basis, based on predetermined fee schedules. Medicaid patients account for approximately 12.2% and 11.3% of gross patient charges for years ended December 31, 2011 and 2010, respectively.

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

Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the established charges for services and estimated total payments to be received from third-party payors. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as settlements are determined.

The Network has qualified as a Medicaid Disproportionate Share ("DSH") provider under Indiana Law (IC 12-15-16(1-3)) and, as such, is eligible to receive DSH payments for the most recently determined state fiscal year 2011. The amount of these additional DSH funds is dependent on regulatory approval by agencies of the federal and state governments, and is determined by the level, extent and cost of uncompensated care as well as other factors. For the years ended December 31, 2011 and 2010, DSH payments have been made by the State of Indiana and amounts received were recorded as revenue based on data acceptable to the State of Indiana less any amounts management believes may be subject to adjustment. DSH payments are recorded by the Network after eligibility is determined by the State of Indiana and the payments are determined to be earned. If payments are received prior to eligibility being determined, the payments are recorded as current deferred revenue and recorded in current other liabilities until eligibility is determined.

Net patient service revenue, as reflected in the accompanying consolidated statements of operations and changes in net assets, consist of the following for the years ended December 31, 2011 and 2010:

	2011	**2010**
Gross patient service revenue	$ 3,335,995	$ 2,912,132
Deductions from gross patient service revenue		
Medicare/Medicaid contractual adjustments	1,198,572	1,050,327
Other adjustments	725,689	579,029
Charity discounts for patient care	78,771	69,641
Net patient service revenue	$ 1,332,963	$ 1,213,135
Provision for bad debts	72,765	63,585
Net patient service revenue less provision for bad debts	$ 1,260,198	$ 1,149,550

The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. A significant portion of the Network's revenue is concentrated by payor mix. The concentration of gross receivables by payor class for both patients and third-party payors at December 31, 2011 and 2010 is as follows:

	2011	**2010**
Medicare	26 %	27 %
Medicaid	12	13
Managed care and commercial insurance	44	42
Patients	18	18
	100 %	100 %

Adjustments to the allowance for doubtful accounts are made after the Network has analyzed historical cash collections and considered the impact of any known material events. Uncollectible accounts are written-off against the allowance for doubtful accounts after exhausting collection efforts. Any subsequent recoveries are recorded against the provision for bad debts.

3. Assets Limited as to Use

Funds Held by Trustee

The following is a summary of assets limited as to use, which are held by trustees, at December 31, 2011 and 2010:

	2011	**2010**
Cash and cash equivalents	$ 26,818	$ 23,395
Less amount classified as current assets to meet current obligations	13,176	9,530
Noncurrent asset	$ 13,642	$ 13,865

The Hospital Revenue Bond Agreements (Note 7) require that the initial bond proceeds be held by a bank trustee until such funds are expended for eligible assets. Certain other funds are also held by the bank trustee as additional security for the bondholders and the periodic deposits of principal and interest requirements. These amounts, including interest earned from temporary investments, are segregated in accounts maintained by a bank trustee. Use of the funds is restricted to debt service requirements. All funds are cash and cash equivalents which approximate fair value and are designated as Level 1 in accordance with ASC 820.

Board-designated Funds
The Network classifies its Board designated funds and reinsurance trust assets as trading securities. Those investments are marked to market each month.

The following is a summary of the investments limited as to use, which are board-designated funds, at December 31, 2011 and 2010:

	2011 Cost	2011 Market
Cash and cash equivalents	$ 3,302	$ 3,298
U.S. Treasury bonds	19,459	20,736
Corporate bonds	80,631	78,165
Equity securities	232,575	223,318
Hedge fund of funds	18,895	18,824
REITS/other	66,009	56,895
	$ 420,871	$ 401,236

	2010 Cost	2010 Market
Cash and cash equivalents	$ 1,461	$ 1,461
U.S. Treasury bonds	55,278	56,006
Corporate bonds	45,064	45,042
Equity securities	201,302	219,537
Hedge fund of funds	15,870	16,533
REITS/other	58,092	65,669
	$ 377,067	$ 404,248

2011 Description	Fair Value Measurements at Reporting Date Using 2011	Level 1	Level 2	Level 3
Fixed Income	$ 82,316	$ 53,565	$ 28,751	$ -
Equity–Domestic Large Cap	83,475	47,472	36,003	-
Equity–Domestic Small Cap	28,538	17,398	11,140	-
Equity–International	103,783	103,783	-	-
Hedge Fund of Funds	18,824	-	-	18,824
REITS/Other	84,300	84,300	-	-
Total	$ 401,236	$ 306,518	$ 75,894	$ 18,824

2010 Description	Fair Value Measurements at Reporting Date Using 2010	Level 1	Level 2	Level 3
Fixed Income	$ 87,996	$ 87,996	$ -	$ -
Equity–Domestic Large Cap	85,809	51,990	33,819	-
Equity–Domestic Small Cap	33,303	19,007	14,296	-
Equity–International	110,568	110,568	-	-
Hedge Fund of Funds	16,534	-	-	16,534
REITS/Other	70,038	70,038	-	-
Total	$ 404,248	$ 339,599	$ 48,115	$ 16,534

	Rollfoward of Level 3 Investments
Balance as of January 1, 2010	$ 15,494
Purchases	-
Investment gain-realized/unrealized	1,040
Balance as of December 31, 2010	$ 16,534
Balance as of January 1, 2011	$ 16,534
Purchases	3,025
Investment gain-realized/unrealized	(735)
Balance as of December 31, 2011	$ 18,824

The fair values of the board designated funds are provided to the Network's investment manager and are determined as follows:

a) The funds designated as level 1 inputs represent equity securities and investable mutual fund shares that are traded on major stock exchanges. Thus, the fair value is determined based on quoted prices in an active market.

b) The funds designated as level 2 inputs represent publicly traded securities held in separate institutional investment accounts managed by a professional money manager. The individual securities are traded on major stock exchanges but the blended portfolio is not investable as a unit. The fair value is determined by reviewing the underlying valuation of each individual publically traded stock that comprises the holdings of the fund.

c) The funds designated as level 3 inputs represents hedge funds. The fair values of the hedge funds are obtained from individual hedge fund managers and custodians. The hedge fund of fund manager employs best practices controls and due diligence to ensure the valuations are reflective of fair value. Additionally, the individual hedge funds are audited annually and an audit report issued.

Investment income for 2011 and 2010 related to Board-designated funds consists of the following:

	2011	2010
Interest and dividend income	$ 20,139	$ 10,391
Unrealized (loss) gain	(46,814)	36,231
Net realized gain on sales of investment securities	9,878	4,559
Total investment (loss) income	$ (16,797)	$ 51,181

The Network's investment expenses for the years ended December 31, 2011 and 2010 were $630 and $695, respectively.

Reinsurance Trust Assets

The assets in the trust consist of cash and cash equivalents and are maintained in a domestic trust account. These assets are restricted and may not be withdrawn or used without the consent of the trust administrator.

The following is a summary of the investments limited as to use, which are reinsurance trust assets, at December 31, 2011 and 2010:

	2011 Cost	2011 Market	2010 Cost	2010 Market
U.S. Treasury bonds	$ -	$ -	$ -	$ -
Corporate bonds	3,982	4,218	4,630	4,825
Federal Government Agency mortgage backed securities	4,123	4,356	4,621	4,821
Cash and cash equivalents held in trust	4,227	4,227	1,970	1,970
	$ 12,332	$ 12,801	$ 11,221	$ 11,616

2011	**Fair Value Measurements at Reporting Date Using**			
Description	**2011**	**Level 1**	**Level 2**	**Level 3**
Federal Government Agency and mortgage backed securities	$ 4,356	$ -	$ 4,356	$ -
Corporate bonds	4,218		4,218	
U.S. Treasury bonds	-	-	-	-
Money Market Funds	4,227	4,227	-	-
Total	$ 12,801	$ 4,227	$ 8,574	$ -

2010	**Fair Value Measurements at Reporting Date Using**			
Description	**2010**	**Level 1**	**Level 2**	**Level 3**
Federal Government Agency and mortgage backed securities	$ 4,821	$ -	$ 4,821	$ -
Corporate bonds	4,825	-	4,825	-
U.S. Treasury bonds	-	-	-	-
Money Market Funds	1,970	1,970	-	-
Total	$ 11,616	$ 1,970	$ 9,646	$ -

The fair values of the reinsurance trust assets are provided by the Captive's investment manager and are determined as follows:

a) The fair value of fixed income securities including corporate debt are generally determined on the basis of valuations provided by a pricing service which will typically utilize industry accepted valuation models and observable market inputs to determine valuation; some valuations or model inputs provided/used by the pricing service may be, or be based upon, broker quotes.

b) The fair value of investments in money market funds is determined based on the net asset value per share provided by the administrators of the funds.

Investment income for 2011 and 2010 related to reinsurance trust assets consists of the following:

	2011	**2010**
Interest income	$ 349	$ 392
Net realized/unrealized gains on investment securities	69	96
Total investment income	$ 418	$ 488

4. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consist of the following at December 31, 2011 and 2010:

	Estimated Useful Lives	2011	2010
Land and land improvements	0-20 years	$ 30,119	$ 27,593
Buildings and improvements	10-90 years	797,068	767,170
Equipment	3-20 years	572,740	536,207
Construction in progress		9,291	9,628
		1,409,218	1,340,598
Less: accumulated depreciation		727,055	690,449
		$ 682,163	$ 650,149

Depreciation expense was $63,668 and $69,599 for 2011 and 2010, respectively. Effective January 1, 2011, the Network revised the useful lives of its hospital and hospital related buildings and building improvements. The lives were increased, in some instances, an additional 40 years depending on the nature and type of the building improvement. The effect of these changes in estimates, compared to the original depreciation for the year ended December 31, 2011 was a reduction in depreciation expense of $4,421.

Property, plant and equipment include $1,175 and $1,093 of net capitalized interest at December 31, 2011 and 2010, respectively.

5. Investments in Unconsolidated Affiliates

The Network has equity investments in various surgery centers, Mid America Clinical Laboratory ("MACL") and other entities. The following is a summary of the Network's investments in unconsolidated affiliates for the years ended December 31, 2011 and 2010:

	Surgery Centers	MACL	Other	Total
Balance, December 31, 2009	$ 15,097	$ 3,993	$ 400	$ 19,490
Capital contributions	152	-	-	152
Distributions	(5,598)	(1,364)	(3,154)	(10,116)
Change from equity method to consolidation		-	-	-
Equity in net income	4,978	2,048	2,842	9,868
Balance, December 31, 2010	$ 14,629	$ 4,677	$ 88	$ 19,394
Capital contributions	-	-	483	483
Distributions	(5,354)	(2,301)	(2,901)	(10,556)
Equity in net income	5,763	2,295	2,900	10,958
Balance, December 31, 2011	$ 15,038	$ 4,671	$ 570	$ 20,279

Summarized and aggregated financial statement information for the surgery centers, MACL and the other unconsolidated affiliates is as follows (in thousands):

	Surgery Centers	MACL	Other	Total
Total assets	$ 24,101	$ 34,514	$ 18,414	$ 77,029
Total liabilities	7,758	13,170	9,978	30,906
Net assets	16,343	21,344	8,436	46,123
Revenues	53,008	83,877	44,088	180,973
Operating income	14,884	10,450	12,147	37,481
Net income	14,295	10,434	11,880	36,609
Network's equity in net income of unconsolidated affiliates	4,162	2,295	4,501	10,958

6. Transactions with Unconsolidated Affiliates and Related Parties

The Network provides services to and makes purchases on behalf of various unconsolidated affiliated entities. The range of ownership in unconsolidated affiliates is 2% to 70% percent. Amounts due to unconsolidated affiliates and related parties consist of the following at December 31, 2011 and 2010:

	2011	2010
Notes payable–North Campus Office Associates (NCOA)	$ 1,263	$ 1,114
Receivables from physicians	(1,473)	(758)
Due (from)/to Spec Prime/MedPrime	593	225
Due (from)/to Indiana Surgery Centers	(886)	(2,118)
Other receivables/payables, net	(298)	150
Due (from)/to unconsolidated affiliates and related parties, net	$ (801)	$ (1,387)

7. Debt

Short-term Borrowings

Short-term borrowings represent outstanding borrowings under bank lines of credit. At December 31, 2011 and 2010 the following amounts were outstanding:

	Maximum Borrowings	Outstanding Balance 2011	Outstanding Balance 2010
CHI	$ 50,000	$ 29,646	$ 5,146
VEI	13,500	13,500	13,500
CHA	2,000	-	-
		$ 43,146	$ 18,646

The bank lines of credit are due on demand. Interest is payable monthly on VEI's line of credit. VEI's short-term debt is collaterized by mortgages on six properties and is also guaranteed by CHI. Interest is at a floating rate, and the weighted-average effective rate on short-term borrowings was 1.19% and 1.02% for the years ended December 31, 2011 and 2010, respectively. CHI's short-term debt is collaterized under the same terms as the Master Indentures described below. Interest is at a floating rate. The weighted-average effective rate on CHI's short term borrowings was 1.57% and .59% for the years ended December 31, 2011 and 2010, respectively.

Long–term debt

Long–term debt at December 31, 2011 and 2010 is summarized as follows:

	Obligated Entity	2011	2010
Indiana Finance Authority, Adjustable Rate Hospital Revenue Bonds, Series 2009 A; interest payable monthly (0.13% effective rate at December 31, 2011) due July 1, 2011 to July 1, 2039	CHI	$ 39,180	$ 40,000
Unamortized discount		(136)	(140)
		39,044	39,860
Indiana Finance Authority, Adjustable Rate Hospital Revenue Bonds, Series 2009 B; interest payable monthly (0.07% effective rate at December 31, 2011) due July 1, 2011 to July 1, 2039	CHI	58,760	60,000
Unamortized discount		(203)	(211)
		58,557	59,789

	Obligated Entity	2011	2010
Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Series 2005A; interest payable semiannually	CHI		
4.50% serial bonds due May 1, 2008 to May 1, 2025		$ 62,515	$ 65,560
5.00% term bonds due May 1, 2035		78,970	78,970
Unamortized premium		3,634	3,790
		145,119	148,320
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2005B; interest payable monthly (0.09% effective rate at December 31, 2011) due May 1, 2008 to May 1, 2035	CHI	17,000	17,400
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2005C; interest payable monthly (0.20% effective rate at December 31, 2011) due May 1, 2008 to May 1, 2035	CHI	17,000	17,500
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2000A and 2000B; interest payable monthly (0.13% effective rate at December 31, 2011) due July 1, 2002 to July 1, 2028	CHI	38,000	38,200
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 1997A and 1997B; interest payable monthly (0.10% effective rate at December 31, 2011) due July 1, 2020 to July 1, 2027	CHI	30,000	30,000
Indiana Health Facility Financing Authority, Hospital Revenue Refunding and Improvement Bonds, Series 1995; interest payable semiannually	CHI		
5.6% term bonds due May 15, 2014		5,985	6,030
5.7% term bonds due May 15, 2022		37,368	37,368
Unamortized discount		(262)	(287)
		43,091	43,111

	Obligated Entity	2011	2010
Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Series 1993; interest payable semiannuallly	CHA		
6.00% term bonds, due January 1, 2023		$ 12,920	$ 13,855
		12,920	13,855
Indiana Health Facility Financing Authority, Hospital Revenue Refunding and Improvement Bonds, Series 1992; interest payable semiannually:	CHI		
6.40% term bonds due May 1, 2012 with mandatory redemption from May 1, 2006 to 2012		6,810	13,210
Unamortized discount		(7)	(16)
		6,803	13,194
Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Series 1992A; interest payable semiannually	CHI		
6.85% term bonds due July 1, 2022		11,250	12,230
		11,250	12,230
Hospital Authority of Madison County, Inc., Hospital Revenue Bonds, Series 1988A; interest payable semiannuall	CHA		
8.00% term bonds, due January 1, 2014		2,600	3,340
		2,600	3,340
Fifth Third Bank, Term Loan; interest payable quarterly (1.25% effective rate at December 31, 2011), due December 31, 2011 to December 30, 2014	WV	6,430	-
		6,430	-
Other long-term debt		3,259	4,567
		431,073	441,366
Less: current portion of long-term debt		17,141	16,679
Long-term debt, net of current portion		$ 413,932	$ 424,687

Series 2009 A and 2009 B

On June 30, 2009, the Indiana Finance Authority ("IFA") issued Adjustable Rate Hospital Revenue Bonds, Series 2009 A and 2009 B, in the aggregate amount of $100,000 for the purpose of making a loan to CHI. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As credit support for the 2009 A and 2009 B bonds, the Network has two outstanding letters of credit with banks for a maximum aggregate principal draw amount of $97,940 plus accrued interest as of December 31, 2011. The letters of credit expire for the 2009 A and 2009 B Series on May 29, 2013 and June 30, 2013, respectively. The Series 2009 A and Series 2009 B bonds are subject to redemption prior to their stated maturity at the option of CHI on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

Series 2005A, 2005B and 2000C

On May 1, 2005, the Indiana Health Financing Authority, (the "Authority") issued Hospital Revenue Bonds, Series 2005A and Adjustable Rate Hospital Revenue Bonds, Series 2005B and 2005C, in the aggregate amount of $190,320 for the purpose of making a loan to CHI. The proceeds of this loan from the Authority are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As credit support for the 2005B and 2005C bonds, the Network has two outstanding letters of credit with banks for a maximum aggregate principal draw amount of $34,000 plus accrued interest as of December 31, 2011. The letters of credit expire May 4, 2013. The Series 2005A bonds maturing on or after May 1, 2016 are subject to redemption prior to their respective stated maturities, by the Authority, upon the direction of CHI at a redemption price equal to 100% of the principal amount plus accrued interest thereon to the date fixed for redemption. The Series 2005B and Series 2005C bonds are subject to redemption prior to their stated maturity at the option of CHI on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

Series 2000A and 2000B

On November 1, 2000, the Authority issued Adjustable Rate Hospital Revenue Bonds, Series 2000A and 2000B, in the aggregate amount of $40,000 for the purpose of making a loan to the Network. The proceeds of this loan from the Authority were available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As of December 31, 2011, the outstanding letter of credit with the bank associated with this debt is the principal amount of $38,000 plus accrued interest. The letter of credit expires May 29, 2013. The Series 2000A and 2000B bonds are subject to redemption at the option of CHI on a thirty day notice at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

Series 1997A and 1997B

On August 1, 1997, the Authority issued its Adjustable Rate Hospital Revenue Bonds, Series 1997A and Series 1997B in the aggregate amount of $30,000 for the purpose of making a loan to the Network. The proceeds of this loan from the Authority were used for the financing of certain health facility property. As of December 31, 2011, the outstanding letter of credit with the bank associated with this debt is the principal amount of $30,000 plus accrued interest. The letter of credit expires May 1, 2013. The Series 1997A and 1997B bonds are subject to redemption at the option of CHI on a thirty day notice at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

Series 1995

On November 15, 1995, the Authority issued $75,050 of Hospital Revenue Refunding and Improvement Bonds (Series 1995 Bonds). Concurrent with the issuance of the bonds, the Network and the Authority entered into a loan agreement (the "Agreement") in which the Network agreed to make loan payments to meet the terms of the hospital revenue bonds. The Agreement restricts the amount of indebtedness that the Network may incur and provides to the Authority an interest in the Network's gross revenues sufficient to meet principal and interest obligations. The Series 1995 Bonds are callable in accordance with the provisions of the Agreement commencing May 15, 2006 at prepayment prices ranging from 102 percent to 100 percent of the principal outstanding.

In May 2007, CHI made a tender offer to existing 1995 Series Bondholders for a 102 percent tender price. At the end of the offer, CHI called and redeemed the remaining $2,067 in bonds outstanding at a price of 101 percent.

A bank purchased the tendered bonds for par value. Simultaneously, CHI and the bank entered into an interest rate swap agreement (the "1995 swap"), the purpose of which was to synthetically convert the tendered bonds from a fixed rate to a variable rate based on the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") plus .30 percent. In September 2010, the 1995 swap was renewed and the variable rate is based on SIFMA plus 1.25 percent. The 1995 swap matures between July and September 2013. The variable rate at December 31, 2011 was 1.35%. The swap is a fair value hedge recognized on the consolidated balance sheets at its fair value with changes, as a result of ineffectiveness since inception, being recorded in interest expense. The swap is in place throughout the term of the outstanding bonds, but may be terminated by CHI or the bank with 30 and 180 days notice, respectively. Neither the terms nor conditions of the original bonds were altered in any way. The fair value and net gain associated with the 1995 swap were immaterial.

Series 1993, 1992, 1992A, and 1988A

With respect to the Series 1993, 1992, 1992A, and 1988A Hospital Revenue Bonds, there are loan agreements between CHI, CHA and the conduit issuing authorities with similar terms as described for the Series 1995 Hospital Revenue Bonds except the bonds are callable as follows: January 1, 2007 for Series 1993; May 1, 2002 for Series 1992; July 1, 2002 for Series 1992A; and January 1, 2001 for Series 1988A.

In February 2004, CHI made a tender offer to existing 1992 and 1992A Series Bondholders for a 102 percent tender price. At the end of the offer, CHI called and redeemed the remaining $7,250 in bonds outstanding at a price of 101 percent.

A bank purchased the tendered bonds for par value. Simultaneously, CHI and the bank entered into an interest rate swap agreement (the "1992 swap"), the purpose of which was to synthetically convert the tendered bonds from a fixed rate to a variable rate based on the Bond Market Association Municipal Swap Index plus .40 percent. In September 2010, the 1992 swap was renewed and the variable rate is based on SIFMA plus 1.25 percent. The 1992 swap matures between January 2012 and September 2013.The variable rate at December 31, 2011 was 1.35%. The swap is a fair value hedge recognized on the consolidated balance sheet at its fair value with changes as a result of ineffectiveness since inception being recorded in interest expense. The swap is in place throughout the term of the outstanding bonds, but may be terminated by CHI or the bank with 30 and 180 days notice, respectively. Neither the terms nor conditions of the original bonds were altered in any way. The fair value and net gain associated with the 1992 swap were immaterial.

Term Loan

On December 29, 2011, Westview refunded its Hospital Authority of Marion County Adjustable Rate Demand Hospital Revenue Bonds, Series 2004 with a term loan financed through Fifth Third Bank ("Term Loan".) The Term Loan bears interest at the 30 day LIBOR rate plus 125 basis points adjusted monthly. Principal and interest payments are due quarterly with a final balloon payment of approximately $5,250 due December 30, 2014. The Term Loan is secured by a general security agreement pledging Westview's assets and the unconditional guarantee by CHNw.

In general, the various Network debt agreements restrict the amount of indebtedness that the Network may incur, the sale, lease or other disposition of operating assets, and the acceptable investments of the trust funds. In addition, these agreements require a debt service ratio at the end of any fiscal year of at least 1.10. The Network was in compliance with all debt covenants at December 31, 2011.

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

2012	$	17,141
2013		16,694
2014		17,120
2015		17,137
2016		17,901
Thereafter		342,054
		428,047
Plus: unamortized premium, net		3,026
	$	431,073

For 2011 and 2010, interest cost incurred and capitalized in connection with the construction of capital assets aggregated $173 and $129, respectively.

8. Employee Benefit Plans

Defined Benefit and Other Postretirement Benefit Plans

The Network has defined benefit retirement plans covering substantially all employees of CHI, CHA, CHHS, IHH, and CBI. Effective December 27, 2010, all Network employees excluding CHA employees, are employed by CHNw and leased to the Network's respective subsidiaries and/or affiliates rather than being employed by individual employers. Effective with the adoption of the single Network employer on December 27, 2010, CHNw also became the sponsor for all of the Network's defined benefit and defined contributions plans, excluding the CHA plan.

The Network's funding policy is to contribute the equivalent of the minimum funding required by the Employee Retirement Income Security Act of 1974, as amended. The benefits for these plans are based primarily on years of service and the 60-consecutive-month period of employment producing the highest total income. The measurement date for the Network's plan is December 31 except for the Replacement Plan which is January 1.

The CHNw Retirement Plan is a defined benefit plan. The provisions of this plan relate to all employees of CHNw, CHA, CHHS, IHH and CPI. These employees are eligible to participate in the plan after one year of eligible service as defined by the plan document. Participants are 100% vested after five years of service. Effective May 27, 2006, CHA froze the accrual of benefits and participation in the CHNw Retirement Plan and established its own 403(b) plan. Effective March 8, 2010, the CHNw Retirement Plan was amended to limit the maximum benefit that may be accrued by individuals who choose to remain participants in the CHNw Retirement Plan after March 7, 2010. Additionally, participants in the CHNw Retirement Plan were offered a onetime choice between continued participation in the CHNw Retirement Plan, and, if applicable, CHNw's 403(b) plan, or participation in the Network's 401(k) plan as of March 8, 2010. All participants who remained in the CHNw Retirement Plan and CHNw 403(b) plan as of March 8, 2010 ceased participation in those plans effective as of December 25, 2011 and began participation in the Network's 401(k) plan effective as of December 26, 2011. In conjunction with the freeze of benefits in the CHNw Retirement Plan, the Network recognized income of $5,669 for the year ended December 31, 2011. CHNw made contributions to the plan of $29,686 and $4,981 during 2011 and 2010, respectively.

The Replacement plan is a defined benefit plan. The Network began accounting for the Replacement plan in 2011 and the fair value of the plan assets was $11,395 at January 1, 2011. The defined benefit provisions of the plan apply to all employees of the Network hired prior to January 1, 1984. The plan was originally established on that date to provide such employees those benefits otherwise available under the Federal Insurance Contributions Act during the period January 1, 1981 to December 31, 1983 when the Network withdrew coverage of its employees under the Act. Pursuant to the Social Security Amendment Act of 1983, the Network reentered the Social Security system on January 1, 1984. As a result funding of the plan was terminated during 1985. If authorized by the Network's Board of Directors, each Replacement plan participant may elect to contribute to the plan an amount each pay period, subject to the maximum established by the Board of Directors. Such authorization was not granted during 2011 and 2010.

The Network also has other postretirement benefit plans covering substantially all of its employees, providing retirees' health insurance benefits for the same premium as the Network pays for active employees. The Network funds the plan on a cash basis.

Effect on Operations

The components of net periodic pension expense for defined benefit retirement plans and the postretirement benefit plan for the year ended December 31 were as follows:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Service cost	$ 6,846	$ 7,459	$ 278	$ 292
Interest cost	25,903	24,467	129	123
Expected return on plan assets	(27,491)	(41,614)	-	-
Amortization of prior service cost, net	(6,527)	16,513	(107)	(91)
Net pension (income) expense	$ (1,269)	$ 6,825	$ 300	$ 324

Obligations and Funded Status

The change in benefit obligations, plan assets and funded status for the Network's defined benefit retirement plans are as follows:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation				
Benefit obligation, beginning of period	$ 480,453	$ 499,450	$ 2,334	$ 2,290
Service cost	6,846	7,459	278	292
Interest cost	25,903	24,467	129	123
Amendments	-	(3,259)	-	-
Actuarial gain (loss)	75,682	(4,687)	877	(398)
Curtailment	-	(39,275)	-	-
Participant contributions	-	-	35	30
Expenses paid - actual	(177)	-	-	-
Benefits paid - actual	(16,300)	(14,587)	(75)	(3)
Benefit obligation, end of period	$ 572,407	$ 469,568	$ 3,578	$ 2,334

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Change in plan assets				
Fair value of plan assets, beginning of year	$ 368,725	$ 325,322	$ -	$ -
Actual return on plan assets	7,667	41,614	-	-
Contributions	29,686	4,981	75	3
Expenses paid - actual	(177)	-	-	-
Benefit paid – actual	(16,300)	(14,587)	(75)	(3)
Fair value of plan assets, end of year	$ 389,601	$ 357,330	$ -	$ -

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Reconciliation of Funded status				
Accrued pension cost	$ (50,504)	$ (81,458)	$ (4,537)	$ (4,277)
Prepaid pension asset (liability)	(132,302)	(30,779)	959	1,943
Funded status	(182,806)	(112,237)	(3,578)	(2,334)
Unrecognized net actuarial loss (gain)	132,726	37,219	(1,094)	(2,095)
Unrecognized prior service credit (cost)	(424)	(6,440)	135	152
Accrued pension cost	$ (50,504)	$ (81,458)	$ (4,537)	$ (4,277)

Accumulated Benefit Obligation

Selected information from the plans with accumulated benefit obligation in excess of plan assets at December 31, were as follows:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Projected benefit obligation	$ 572,407	$ 469,568	$ -	$ -
Accumulated benefit obligation	$ 572,407	$ 469,144	$ 3,578	$ 2,334
Fair value of plan assets	$ 389,601	$ 357,330	$ -	$ -

Actuarial Assumptions

Weighted average assumptions used to determine benefit obligations as of December 31:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Discount rate	4.61%	5.48%	4.61%	5.60%
Rate of compensation increase	0.00-3.50%	3.50%	-	-

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

	Pension Benefits		Postretirement Benefits	
	2011	**2010**	**2011**	**2010**
Discount rate	5.48%	5.93%	5.60%	5.44%
Rate of compensation increase	3.50%	3.50%	-	-
Expected long-term rate of return on plan assets	7.40-8.40%	7.60%	-	-

The expected long term rate of return assumes targeted allocations are maintained and returns fall within standard deviation derived from simulation of ten year range of returns on each plan's assets. The rate is reevaluated based on actual returns in the current period. The rate was 7.40-8.40% and 7.6% for 2011 and 2010, respectively.

Assumed Health Care Costs

In establishing the net periodic postretirement benefit expense and year end benefit obligation, a 7.0% and 9.0% annual rate of increase in per capital cost of covered health benefits was assumed for 2011 and 2010, respectively. The rate was assumed to decrease gradually to 4.5% and 6.0% over a 15-year period and an 18-year period for 2011 and 2010, respectively. Changing the assumed health care cost trend rates by one percentage point in each year would cause an incremental increase in the accumulated postretirement benefit obligation of less than $472 and $279 in 2011 and 2010, respectively. In addition, changing the assumed health care cost trend rates by one percentage point in each year would cause an incremental increase in the service cost and interest cost components of the net periodic post retirement benefit cost of $67 and $44 in 2011 and 2010, respectively.

Plan Assets

The weighted-average allocation of the defined benefit plans at December 31, 2011 and 2010, by asset category are as follows:

	Retirement Plan			Replacement Plan		
	2011		2010	2011		2010
	Target Allocation	Actual Allocation	Actual Allocation	Target Allocation	Actual Allocation	Actual Allocation
Equity securities	41%	40%	42%	54%	51%	56%
Fixed income securities	35%	37%	37%	20%	23%	22%
Real estate	6%	6%	5%	7%	7%	6%
Other	18%	17%	16%	19%	19%	16%
Total	100%	100%	100%	100%	100%	100%

The plans are administered under a single investment policy statement, which outlines objectives and guidelines for supervising investment strategy and evaluating the investment performance for all investment assets of CHNw. The policy seeks to preserve principal, emphasizing long-term growth without undue exposure to risk. Investment performance return targets are based on consumer price, corporate bond and stock indexes as well as volatility standards (beta) and positive risk-adjusted performance (alpha). The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and plan fiduciaries may occasionally approve allocations above or below a target range.

2010	**Fair Value Measurements at Reporting Date Using**			
Description	**2010**	**Level 1**	**Level 2**	**Level 3**
Fixed income	$ 132,872	$ 36,644	$ 96,228	$ -
Equity - Domestic Large Cap	53,150	30,428	22,722	-
Equity - Domestic Small Cap	20,629	10,404	10,225	-
Equity - International	74,263	74,263	-	-
Hedge Fund of Funds	16,574	-	-	16,574
REITS/other	59,842	59,842	-	-
Total	$ 357,330	$ 211,581	$ 129,175	$ 16,574

2011	**Fair Value Measurements at Reporting Date Using**			
Description	**2011**	**Level 1**	**Level 2**	**Level 3**
Fixed income	$ 143,370	$ 7,566	$ 137,532	$ -
Equity - Domestic Large Cap	62,945	32,720	30,225	-
Equity - Domestic Small Cap	19,467	9,546	9,921	-
Equity - International	74,120	74,120	-	-
Hedge Fund of Funds	18,031	-	-	18,031
REITS/other	71,668	71,668	-	-
Total	$ 389,601	$ 195,620	$ 177,678	$ 18,031

	Rollforward of Level 3 Investments
Balance as of January 1, 2010	$ 16,255
Purchases	(750)
Investment gain-realized/unrealized	1,069
Balance as of December 31, 2010	$ 16,574
Balance as of January 1, 2011	$ 16,574
Replacement plan	540
Purchases	1,600
Investment gain-realized/unrealized	(683)
Balance as of December 31, 2011	$ 18,031

Cash Flows

The Network expects to make a contribution of $24,519 to the CHNw Retirement Plan in fiscal 2012. The Network expects to make a contribution of approximately $60 to the CHNw Postretirement Plan in fiscal 2012.

Estimated Future Benefit Payments
Plan benefit payments, which reflect expected future service, are expected to be paid as follows:

	Pension Benefits	Postretirement Benefits
2012	$ 18,047	$ 60
2013	$ 19,953	$ 99
2014	$ 21,652	$ 131
2015	$ 23,255	$ 168
2016	$ 24,849	$ 220
2017-2021	$ 148,001	$ 1,741

Other
The Network sponsors defined contribution plans covering certain employees. As mentioned above, CHNw became the employer of all employees throughout the Network except for CHA and Westview. Effective with the adoption of the single employer on December 27, 2010, CHNw became the sponsor of all the Network's defined benefit and defined contributions plans except for the CHA and Westview plans. Employer contributions are made to these plans based on a percentage of employee compensation. The cost of the Network's defined contribution plans was approximately $23,099 and $18,701 for 2011 and 2010, respectively.

One of the defined contribution plans relates to VEI's profit sharing 401(k) plan, in which employees are eligible to participate immediately upon hire and after attaining 21 years of age. Effective January 1, 2011, VEI's plan was amended to remove the requirement that an employee must be 21 years of age to participate in the plan. Participants may contribute from 1% to 50% of compensation, as defined. Each year, VEI's Board of Directors may elect to match a portion of participant contributions through a discretionary profit sharing contribution.

IHH has a 401(k) plan, in which employees are eligible to participate immediately upon hire and after attaining 21 years of age. Participants may contribute from 1% to 100% of compensation, as defined. IHH matches 50% of participant contributions up to 5% of the participants' compensation.

CPI has a defined contribution profit sharing plan in which employees who are designated as CPI physicians and are paid on the compensation model are eligible to participate after the completion of one year of service. This plan is an employer funded plan whereby the funding is charged to the participating physician's practice as an overhead expense. The year ending December 31, 2009 was the final year that employer contributions were made to the plan. CPI terminated the plan effective December 31, 2009. CPI is in the process of distributing the assets of the plan.

CHA has a defined contribution 403(b) plan Employees are eligible to participate immediately upon employment. Participants may contribute up to 100% of compensation, as defined. CHA is permitted to match 100% of participant contributions up to 3% of the participant's compensation. CHA elected to cease matching participant contributions effective May 10, 2009.

The Network has a 401(k) plan. Employees of the Network hired after February 9, 2008 are eligible to participate immediately upon employment. Participants may contribute up to 100% of compensation, as defined. The Network matches 100% of participant contributions up to 6% of the participant's compensation. Each year, the Network may elect to provide a discretionary employer contribution to plan participants.

Westview has a 401(k) plan. Employees are eligible to participate in the plan after completing more than one year of service, working 1,000 hours during the year and after attaining 21 years of age. Participants may contribute up to 100% of compensation, as defined. Westview provides funding rates of 5% of each eligible employee's compensation not in excess of the taxable wage base and 10% over the taxable wage base.

9. Income Taxes

For 2011 and 2010, federal taxable income originating in the Network's for-profit entities was approximately $9,300 and $12,000, respectively. Income tax (benefit) expense of ($2,958) and $4,991 respectively, has been provided thereon. The primary difference between income tax expense and taxes computed at the federal statutory rate of 34 percent is state income taxes and the recognition of income tax benefit on net operating loss carryforwards ("NOLS"). The recognition of NOLs was the result of the merger of Indiana ProHealth, Inc. into a subsidiary of VEI effective December 31, 2011.

At December 31, 2011, VEI has unused federal income tax operating loss carry forwards of approximately $14,500, which expire at various dates through 2025.

10. Operating Leases

The Network leases certain of its facilities and equipment under noncancelable operating lease agreements. The leases contain various renewal options and clauses for escalation based on increases in interest costs, as defined. Rental expense for these leased facilities and equipment aggregated $37,429 and $31,635 for 2011 and 2010, respectively.

Future minimum rental payments for each of the next five years at December 31, 2011 are as follows:

2012	$ 34,555
2013	28,821
2014	23,780
2015	17,614
2016	14,770
Thereafter	42,699
	$ 162,239

11. Functional Expenses

The Network provides services to residents within its geographic locations. Expenses related to providing these services are as follows:

	2011	2010
Nursing services	$ 261,971	$ 301,598
Other professional services	457,608	395,886
General services	53,262	103,545
Fiscal services	164,615	159,693
Administrative services	144,047	100,276
Employee health and welfare	162,711	84,188
Health service claims expense	(40,071)	(16,119)
Depreciation and amortization	64,511	70,248
Provision for bad debts	1,209	1,684
Interest	13,202	12,554
	$ 1,283,065	$ 1,213,553

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose. Temporarily restricted net assets as of December 31, 2011 and 2010 are available for the following purposes:

	2011	2010
Medical education	$ 1,530	$ 1,737
Clinical/patient support	719	641
Capital improvements	2,424	2,609
	$ 4,673	$ 4,987

Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity. Permanently restricted net assets as of December 31, 2011 and 2010 are as follows, with a description of how the investment income is to be used:

	2011	2010
Medical education	$ 2,413	$ 2,375
Clinical/patient support	209	196
Capital improvements	1,695	1,671
	$ 4,317	$ 4,242

The Network is an income beneficiary of certain irrevocable trusts. The aggregated income (loss) from these trusts was ($175) and $298 for the years ended December 31, 2011 and 2010, respectively.

13. Commitments and Contingencies

Community Hospital of Anderson and Madison County
On August 9, 1996, Community entered into an affiliation agreement with CHA. The agreement provides that if Community merges, affiliates, or is acquired by another health care organization, Community must deposit $31,900 into a foundation to fund health care programs and initiatives in Madison County, Indiana.

Pending Litigation and Medical Malpractice Insurance Coverage
Claims for employment matters, medical malpractice and breach of contract have been asserted against the Network by various claimants, and provision for such claims is made in the financial statements when management considers the likelihood of loss from the contingency to be probable and reasonably estimable. The claims are in various stages of processing and some will ultimately be brought to trial. There are known incidents occurring through December 31, 2011 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past.

The Network is in compliance with the Indiana Medical Malpractice Act which limits the amount of recovery to $1,250 for individual malpractice claims, $250 of which would be paid by the Network and the balance being paid by the State of Indiana Patient Compensation Fund. Management believes the ultimate disposition of existing medical malpractice and other claims will not have a material effect on the consolidated financial position or results of operations of the Network.

Purchase Commitments
As of December 31, 2011, the Network had purchase commitments for various equipment and services of $29,240.

14. Acquisition

On August 1, 2011, the Network affiliated with Westview. No consideration was exchanged related to the affiliation. The affiliation was accounted for as an acquisition and thus purchase accounting rules were applied in accordance with ASC 958, *Not for Profit Entities: Mergers and Acquisitions* (“ASC 958”). The Network recognized the fair value of Westview’s assets and liabilities in its consolidated financial statements as of August 1, 2011 using various fair value techniques, including independent appraisals for property, plant and equipment. The excess of the fair value of the assets received over the liabilities acquired represents an inherent contribution received and is recorded as the excess of net assets acquired in the accompanying consolidated financial statements. Westview’s profit and losses are reflected in the Network’s accompanying consolidated statement of operations from August 1, 2011 through December 31, 2011.

The fair value of the assets and liabilities acquired as of August 1, 2011 is as follows:

Cash and cash equivalents	$ 5,192
Patient accounts receivable, net	8,259
Other current assets	1,127
Property, plant and equipment	34,262
Other long term assets	6,869
Total assets	55,709
Current liabilities	7,439
Long term debt	6,134
Total liabilities	13,573
Excess in fair value of net assets acquired	$ 42,136

Included in the excess in fair value of net assets acquired is a contribution of $7,500 made by the Network to Westview shortly before the affiliation. This was not considered part of the consideration transferred to Westview in accordance with applicable business combination guidance.

15. Community Benefits (unaudited)

The Network defines community benefit as a planned, managed, organized, and measured approach to a health care organization's participation in meeting identified community health needs, particularly of the poor and other underserved groups, by improving health status and quality of life.

The Network segregates its community benefits into benefits for the poor and benefits for the community.

Benefits for the poor include traditional charity and unpaid cost of Medicaid and other indigent care programs. Traditional charity care includes free or discounted health and health-related services provided to persons who cannot afford to pay. Unpaid cost of Medicaid and other indigent care programs represents the uncompensated cost of services provided to persons covered by public programs for the poor.

Benefits for the community include unpaid cost of Medicare and other community benefits. Unpaid cost of Medicare represents the uncompensated cost of services provided to persons covered by the Medicare program. Other community benefit represents activities or services to improve community health.

The net cost to the Network of providing benefits for the poor and the community is as follows:

	2011	2010
Benefits for the poor		
Traditional charity care	$ 26,939	$ 25,693
Unpaid cost of Medicaid and other indigent care programs	57,850	57,948
	84,789	$ 83,641
Benefits for the community		
Unpaid cost of Medicare	107,273	101,615
Other community benefits	26,463	22,229
	133,736	123,844
Total community benefits	$ 218,525	$ 207,485

The benefits provided are measured at total cost net of any offsetting revenues or subsidy payments received. Charity care cost, unpaid cost of Medicaid and other indigent care programs and unpaid of cost of Medicare were determined based on the application of the associated cost-to-charge ratios. Other community benefits represent actual costs.

Costs forgone for services and supplies furnished under the Network's uninsured discount policy approximated $6,956 and $5,417 for the years ended December 31, 2011 and 2010, respectively. Uninsured discounts represent a standard discount on charges as it relates to patients who have no insurance coverage. Uninsured discount cost was determined based on the application of the associated cost-to-charge ratios to charges.

Total community benefits were 17.12% and 17.10% of total operating expenses in 2011 and 2010, respectively.

Additional Consolidating Information

Report of Independent Auditors
on Accompanying Consolidating Information

To the Board of Directors of
Community Health Network, Inc.

The report on our audits of the consolidated financial statements of Community Health Network and affiliates, (the “Network”) at December 31, 2011 and 2010 and for the years then ended appears on page 1 of this document. These audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheets at December 31, 2011 and 2010 and the consolidating statements of operations and changes in net assets for the years then ended are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations and changes in net assets of individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1 to the consolidated financial statements, the Network changed its presentation of revenues and provision for doubtful accounts as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities.

PricewaterhouseCoopers LLP

April 18, 2012

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Community Health Network
Consolidating Balance Sheets (in 000's)
December 31, 2011

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	Westview	CHN	CHNw
Assets													
Current assets													
Cash and cash equivalents	$ 164,305	$ -	$ 77,504	$ 2,566	$ 17,390	$ 55,768	$ 891	$ 621	$ 1,903	$ 2,423	$ 3,090	$ 330	$ 1,819
Restricted cash	2,851	-	2,851	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net	185,422	(4,877)	114,244	9,963	19,675	13,418	-	4,558	-	21,343	7,098	-	-
Estimated third-party payor settlements	11,404	-	8,952	-	2,452	-	-	-	-	-	-	-	-
Assets limited as to use–held by trustee	13,176	-	5,544	-	2,287	-	-	-	-	-	5,345	-	-
Inventories	21,521	-	10,634	-	2,106	4,369	-	336	-	3,531	545	-	-
Other accounts receivable	18,996	(634)	7,699	1,255	157	4,946	1,160	94	3,804	120	327	68	-
Other current assets	20,906	-	8,190	2,251	200	9,082	3	179	55	645	163	138	-
Total current assets	438,581	(5,511)	235,618	16,035	44,267	87,583	2,054	5,788	5,762	28,062	16,568	536	1,819
Assets limited as to use													
Funds held by trustee, net of current portion	13,642	-	13,642	-	-	-	-	-	-	-	-	-	-
Board-designated funds	401,236	-	335,153	-	33,160	-	32,513	-	-	-	410	-	-
Reinsurance trust assets	12,801	-	-	-	-	-	-	-	-	-	-	12,801	-
Property, plant and equipment, net	682,163	-	510,194	12,160	44,789	37,721	3,937	2,395	202	36,628	34,137	-	-
Investments in unconsolidated affiliates	20,279	(232,293)	207,875	-	328	3,723	-	-	-	-	483	-	40,163
Intangible assets, net of accumulated amortization	19,300	-	18,902	-	211	-	-	-	-	-	136	51	-
Due from unconsolidated affiliates and related parties	(672)	-	99,094	(52,285)	(2,435)	(1,164)	(2,809)	(12,138)	8,266	(4,442)	-	-	(32,759)
Prepaid pension and postretirement assets	959	-	959	-	-	-	-	-	-	-	-	-	-
Other assets	8,989	(3,111)	4,426	1,023	-	5,155	566	140	-	243	547	-	-
Total assets	$ 1,597,278	$ (240,915)	$ 1,425,863	$ (23,067)	$ 120,320	$ 133,018	$ 36,261	$ (3,815)	$ 14,230	$ 60,491	$ 52,281	$ 13,388	$ 9,223
Liabilities and fund balance													
Current liabilities													
Short-term borrowings	$ 43,146	$ -	$ 29,646	$ -	$ -	$ 13,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	17,141	-	14,325	-	2,014	21	-	-	-	50	731	-	-
Accounts payable	81,598	(634)	58,085	3,958	2,101	6,635	29	522	184	7,291	2,176	43	1,208
Accrued salaries and wages	61,262	-	33,145	5,077	7,077	4,333	164	1,570	-	7,120	2,776	-	-
Accrued interest	2,505	-	1,961	-	492	33	-	-	-	-	19	-	-
Estimated third-party payor settlements	3,537	-	686	-	431	-	-	11	-	2,008	401	-	-
Incurred but not reported	25,828	(4,877)	4,919	-	263	130	-	-	12,686	-	-	12,707	-
Pension underfunded liability	18,047	-	18,047	-	-	-	-	-	-	-	-	-	-
Other current liabilities	12,856	(3,111)	2,388	1,081	2,530	1,683	68	250	21	913	238	518	6,277
Total current liabilities	265,920	(8,622)	163,202	10,116	14,908	26,335	261	2,353	12,891	17,382	6,341	13,268	7,485
Accrued postretirement benefit cost	4,537	-	4,537	-	-	-	-	-	-	-	-	-	-
Accrued pension costs	52,471	-	38,688	-	-	1,719	-	10,323	-	1,741	-	-	-
Long-term debt, net of current portion	413,932	-	391,539	-	16,593	-	-	-	-	23	5,777	-	-
Pension underfunded liability- long-term	114,255	-	114,255	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,740	-	2,705	1,045	-	-	-	-	-	5,990	-	-	-
Net assets													
Unrestricted net assets													
Network unrestricted net assets	715,695	(223,201)	704,673	(34,228)	88,819	90,398	27,010	(16,491)	1,339	35,355	40,163	120	1,738
Noncontrolling interest	11,738	(9,092)	6,264	-	-	14,566	-	-	-	-	-	-	-
Total unrestricted net assets	727,433	(232,293)	710,937	(34,228)	88,819	104,964	27,010	(16,491)	1,339	35,355	40,163	120	1,738
Temporarily restricted net assets	4,673	-	-	-	-	-	4,673	-	-	-	-	-	-
Permanently restricted net assets	4,317	-	-	-	-	-	4,317	-	-	-	-	-	-
Total net assets	736,423	(232,293)	710,937	(34,228)	88,819	104,964	36,000	(16,491)	1,339	35,355	40,163	120	1,738
Total liabilities and net assets	$ 1,597,278	$ (240,915)	$ 1,425,863	$ (23,067)	$ 120,320	$ 133,018	$ 36,261	$ (3,815)	$ 14,230	$ 60,491	$ 52,281	$ 13,388	$ 9,223

Community Health Network
Consolidating Balance Sheets (in 000's)
December 31, 2010

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	Westview	CHN	CHNw
Assets													
Current assets													
Cash and cash equivalents	$ 144,127	$ -	$ 57,637	$ 1,735	$ 10,236	$ 56,060	$ 1,436	$ 1,052	$ 6,233	$ 9,452	$ -	$ 286	$ -
Restricted cash	2,400	-	2,400	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net	175,904	(6,436)	112,801	8,138	22,551	11,352	-	5,405	-	22,093	-	-	-
Estimated third-party payor settlements	6,406	-	6,340	-	66	-	-	-	-	-	-	-	-
Assets limited as to use–held by trustee	9,530	-	7,306	-	2,224	-	-	-	-	-	-	-	-
Inventories	19,325	-	10,189	-	2,585	4,046	-	260	-	2,245	-	-	-
Other accounts receivable	18,300	(442)	7,409	79	92	6,107	1,023	53	3,845	43	-	91	-
Other current assets	10,684	-	7,045	1,596	144	1,065	13	106	62	468	-	185	-
Total current assets	386,676	(6,878)	211,127	11,548	37,898	78,630	2,472	6,876	10,140	34,301	-	562	-
Assets limited as to use											-		
Funds held by trustee, net of current portion	13,865	-	13,865	-	-	-	-	-	-	-	-	-	-
Board-designated funds	404,248	-	336,323	-	33,980	-	33,945	-	-	-	-	-	-
Reinsurance trust assets	11,616	-	-	-	-	-	-	-	-	-	-	11,616	-
Property, plant and equipment, net	650,149	-	509,793	12,900	45,795	37,981	4,093	2,134	172	37,281		-	-
Investments in unconsolidated affiliates	19,394	(151,205)	166,595	-	406	3,598	-	-	-	-	-	-	-
Intangible assets, net of accumulated											0		
amortization	7,415	-	7,108	-	258	-	-	-	-	-	-	49	-
Due from unconsolidated affiliates and	1,387	(31)	115,515	(36,716)	(2,623)	(3,662)	(3,250)	(9,716)	(12,935)	(29,750)	-	-	(15,445)
related parties											0		
Prepaid pension and postretirement assets	1,943	-	1,943	-	-	-	-	-	-	-	-	-	-
Other assets	7,693	(1,518)	2,970	350	-	4,542	1,209	140	-	-		-	-
Total assets	$ 1,504,386	$ (159,632)	$ 1,365,239	$ (11,918)	$ 115,714	$ 121,089	$ 38,469	$ (566)	$ (2,623)	$ 41,832	$ -	$ 12,227	$ (15,445)
Liabilities and fund balance											$ -		
Current liabilities											$ -		
Short-term borrowings	$ 18,646	$ -	$ 5,146	$ -	$ -	$ 13,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	16,679	-	13,738	-	1,894	1,000	-	-	-	47	-	-	-
Accounts payable	70,973	(473)	56,430	2,265	1,831	6,184	74	631	-	3,988	-	43	-
Accrued salaries and wages	40,569	-	22,740	2,672	4,977	1,151	-	1,412	-	7,617	-	-	-
Accrued interest	2,710	-	2,130	-	549	31	-	-	-	-	-	-	-
Estimated third-party payor settlements	2,867	-	2,407	-	460	-	-	-	-	-	-	-	-
Incurred but not reported	25,335	(6,436)	4,863	-	457	152	-	-	14,576	-	-	11,723	-
Other current liabilities	20,153	(1,518)	12,359	892	2,413	4,395	-	-	7	1,264	-	341	-
Total current liabilities	197,932	(8,427)	119,813	5,829	12,581	26,413	74	2,043	14,583	12,916	-	12,107	-
Accrued postretirement benefit cost	4,277	-	4,277	-	-	-	-	-	-	-	-	-	-
Accrued pension costs	83,193	-	71,411	-	-	1,710	-	9,343	-	729	-	-	-
Long-term debt, net of current portion	424,687	-	405,984	-	18,609	21	-	-	-	73	-	-	-
Pension underfunded liability- long-term	30,779	-	30,779	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,973	-	2,870	661	-	-	-	-	-	3,442	-	-	-
Net assets											-		
Unrestricted net assets											-		
Network unrestricted net assets	736,022	(141,791)	723,593	(18,408)	84,524	78,749	29,166	(11,952)	(17,206)	24,672	-	120	(15,445)
Noncontrolling interest	11,294	(9,414)	6,512	-	-	14,196	-	-	-	-	-	-	-
Total unrestricted net assets	747,316	(151,205)	730,105	(18,408)	84,524	92,945	29,166	(11,952)	(17,206)	24,672	-	120	(15,445)
Temporarily restricted net assets	4,987	-	-	-	-	-	4,987	-	-	-	-	-	-
Permanently restricted net assets	4,242	-	-	-	-	-	4,242	-	-	-	-	-	-
Total net assets	756,545	(151,205)	730,105	(18,408)	84,524	92,945	38,395	(11,952)	(17,206)	24,672	-	120	(15,445)
Total liabilities and net assets	$ 1,504,386	$ (159,632)	$ 1,365,239	$ (11,918)	$ 115,714	$ 121,089	$ 38,469	$ (566)	$ (2,623)	$ 41,832	$ -	$ 12,227	$ (15,445)

Community Health Network
Consolidating Statements of Operations and Changes in Net Assets (in 000's)
December 31, 2011

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	Westview	CHN	CHNw
Revenues and gains													
Net patient service revenue	$ 1,332,963	$ -	$ 811,217	$ 87,835	$ 126,269	$ 93,691	$ -	$ 27,754	$ -	$ 161,299	$ 24,898	$ -	$ -
Provision for bad debts	72,765	352	48,952	3,277	8,065	-	-	-	-	9,129	2,990	-	-
Net patient service revenue less provision for bad debts	1,260,198	(352)	762,265	84,558	118,204	93,691	-	27,754	-	152,170	21,908	-	-
Service fee revenue	21,519	(13,533)	-	-	-	33,716	-	-	-	-	-	1,336	-
Other revenue	66,064	(660,812)	59,928	1,134	7,818	35,281	2,756	159	34,236	4,493	2,357		580,308
Equity in earnings of unconsolidated affiliates	10,958	(7,601)	13,298	-	469	3,198	-	-	-	-	-	-	-
Total unrestricted revenues and gains	1,358,739	(682,298)	835,491	85,692	126,491	165,886	2,756	27,913	34,236	156,663	24,265	1,336	580,308
Operating expenses											-		
Salaries and benefits	725,372	(579,540)	324,019	93,625	73,489	49,427	886	21,745	-	81,669	15,318	-	644,734
Supplies and other expenses	478,771	(91,937)	264,221	28,396	40,106	80,600	1,944	7,511	27,697	47,235	9,438	1,754	61,806
Management services	-	-	81,996	5,563	343	5,042	676	1,534	6,076	9,544	-	-	(110,774)
Depreciation and amortization	64,511	-	42,357	4,481	6,114	4,994	(26)	671	18	4,567	1,335	-	-
Provision for bad debts	1,209	-	-	-	-	(25)	223	964	-	-	36	-	11
Interest and financing costs	13,202	(3,220)	11,536	-	1,344	426	-	27	-	2,965	124	-	-
Total operating expenses	1,283,065	(674,697)	724,129	132,065	121,396	140,464	3,703	32,452	33,791	145,980	26,251	1,754	595,777
Income (loss) from operations	75,674	(7,601)	111,362	(46,373)	5,095	25,422	(947)	(4,539)	445	10,683	(1,986)	(418)	(15,469)
Realized and unrealized (losses) gains on investments, net	(16,386)	-	(14,555)	-	(801)	-	(1,448)	-	-	-	-	418	-
Excess of net assets acquired in Westview acquisition	34,636	-	-	-	-	-	-	-	-	-	-	-	34,636
Other, net	(10)	(8,710)	10,683	(11)	-	(1)	-	-	-	-	13	-	(1,984)
Excess (deficiency) of revenues over (under) expenses before income taxes	93,914	(16,311)	107,490	(46,384)	4,294	25,421	(2,395)	(4,539)	445	10,683	(1,973)	-	17,183
Provision for income taxes	(2,958)	-	(89)	-	-	(2,869)	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	96,872	(16,311)	107,579	(46,384)	4,294	28,290	(2,395)	(4,539)	445	10,683	(1,973)	-	17,183
Less: Excess of revenues attributable to noncontrolling interest	(14,932)	7,601	(5,892)	-	-	(16,641)	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses attributable to the Network	81,940	(8,710)	101,687	(46,384)	4,294	11,649	(2,395)	(4,539)	445	10,683	(1,973)	-	17,183
Pension over(under) funding	(102,507)	-	(102,507)	-	-	-	-	-	-	-	-	-	-
Change in noncontrolling interest	444	322	(248)	-	-	370	-	-	-	-	-	-	-
Other changes, net	240	(72,700)	(18,100)	30,564	1	-	239	-	18,100	-	42,136	-	-
Increase (decrease) in total unrestricted net assets	(19,883)	(81,088)	(19,168)	(15,820)	4,295	12,019	(2,156)	(4,539)	18,545	10,683	40,163	-	17,183
Change in temporarily restricted net assets													
Restricted contributions received	1,383	-	-	-	-	-	1,383	-	-	-	-	-	-
Net assets released from restrictions	(1,522)	-	-	-	-	-	(1,522)	-	-	-	-	-	-
Investment income	(175)	-	-	-	-	-	(175)	-	-	-	-	-	-
Increase (decrease) in temporarily restricted net assets	(314)	-	-	-	-	-	(314)	-	-	-	-	-	-

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	Westview	CHN	CHNw
Change in permanently restricted net assets													
Restricted contributions received	$ 77	-	$ -	$ -	$ -	$ -	$ 77	$ -	$ -	$ -	$ -	$ -	$ -
Other	(2)	-	-	-	-	-	(2)	-	-	-	-	-	-
Increase in permanently restricted net assets	75	-	-	-	-	-	75	-	-	-	-	-	-
Increase (decrease) in total net assets	(20,122)	(81,088)	(19,168)	(15,820)	4,295	12,019	(2,395)	(4,539)	18,545	10,683	40,163	-	17,183
Total net assets, beginning of year	756,545	(151,205)	730,105	(18,408)	84,524	92,945	38,395	(11,952)	(17,206)	24,672	-	120	(15,445)
Total net assets, end of year	$ 736,423	$ (232,293)	$ 710,937	$ (34,228)	$ 88,819	$ 104,964	$ 36,000	$ (16,491)	$ 1,339	$ 35,355	$ 40,163	$ 120	$ 1,738

Community Health Network

Consolidating Statements of Operations and Changes in Net Assets (in 000's)

December 31, 2010

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	Westview	CHN	CHNw
Revenues and gains													
Net patient service revenue	$ 1,213,135	$ -	$ 730,863	$ 82,073	$ 133,254	$ 87,961	$ -	$ 28,998	$ -	$ 149,986	$ -	$ -	$ -
Provision for bad debts	63,585	3,355	40,907	2,159	11,635	-	-	-	-	5,529	-	-	-
Net patient service revenue less provision for bad debts	1,149,550	(3,355)	689,956	79,914	121,619	87,961	-	28,998	-	144,457	-	-	-
Service fee revenue	23,967	(24,341)	-	-	-	45,437	-	-	-	-	-	2,871	-
Other revenue	68,936	(86,664)	46,052	540	6,028	31,917	2,731	239	55,939	2,762	-	-	9,392
Equity in earnings of unconsolidated											0		
affiliates	16,062	(7,124)	18,393	-	406	4,387	-	-	-	-	-	-	-
Total unrestricted revenues and gains	1,258,515	(121,484)	754,401	80,454	128,053	169,702	2,731	29,237	55,939	147,219	-	2,871	9,392
Operating expenses											-		
Salaries and benefits	662,252	(11,798)	290,788	81,358	71,503	58,481	751	20,296	-	80,791	-	-	70,082
Supplies and other expenses	466,815	(99,191)	252,911	25,178	45,709	74,372	2,154	7,778	50,222	43,999	-	3,359	60,324
Management services	-	-	81,996	5,104	343	4,922	676	1,534	6,073	9,544	-	-	(110,192)
Depreciation and amortization	70,248	-	49,741	2,046	6,965	4,948	70	675	18	5,785	-	-	-
Provision for bad debts	1,684	-	-	-	-	452	174	1,124	-	-	-	-	(66)
Interest and financing costs	12,554	(3,371)	10,889	-	1,466	439	-	31	-	3,100	-	-	
Total operating expenses	1,213,553	(114,360)	686,325	113,686	125,986	143,614	3,825	31,438	56,313	143,219	-	3,359	20,148
Income (loss) from operations	44,962	(7,124)	68,076	(33,232)	2,067	26,088	(1,094)	(2,201)	(374)	4,000	-	(488)	(10,756)
Realized/unrealized (losses) gains on investments, net	51,668		43,148	-	3,696	-	4,336	-	-	-	-	488	-
Other, net	690	(4,000)	4,000	(28)	-	588	-	22	74	-	-	-	34
Excess (deficiency) of revenues											-		
over (under) expenses before											0		
income taxes	97,320	(11,124)	115,224	(33,260)	5,763	26,676	3,242	(2,179)	(300)	4,000	-	-	(10,722)
Provision for income taxes	4,991	-	-	-	-	4,991	-	-	-	-	-	-	-
Excess (deficiency) of revenues											0		
over (under) expenses	92,329	(11,124)	115,224	(33,260)	5,763	21,685	3,242	(2,179)	(300)	4,000	-	-	(10,722)
Less: Excess of revenues attributable											-		
to noncontrolling interest	(13,052)	7,124	(5,509)	-	-	(14,667)	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under)											-		
expenses attributable to the Network	79,277	(4,000)	109,715	(33,260)	5,763	7,018	3,242	(2,179)	(300)	4,000	-	-	(10,722)
Pension over(under) funding	57,268	-	57,268	-	-	-	-	-	-	-	-	-	-
Change in noncontrolling interest	(860)	2,816	(462)	-	-	(3,214)	-	-	-	-	-	-	-
Other changes, net	363	(30,712)	-	30,712	-	-	222	(22)	1	-	-	-	162
Increase (decrease) in total unrestricted											-		
net assets	136,048	(31,896)	166,521	(2,548)	5,763	3,804	3,464	(2,201)	(299)	4,000	-	-	(10,560)
Change in temporarily restricted net assets											-		
Restricted contributions received	865	-	-	-	-	-	865	-	-	-	-	-	-
Net assets released from restrictions	(1,529)	-	-	-	-	-	(1,529)	-	-	-	-	-	-
Investment income	298	-	-	-	-	-	298	-	-	-	-	-	-
Increase (decrease) in temporarily											-		
restricted net assets	(366)	-	-	-	-	-	(366)	-	-	-	-	-	-

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	Westview	CHN	CHNw
Change in permanently restricted net assets													
Restricted contributions received	$ 155	-	$ -	$ -	$ -	$ -	$ 155	$ -	$ -	$ -		$ -	$ -
Other	(11)	-	-	-	-	-	(11)	-	-	-		-	-
Increase in permanently restricted													
net assets	144	-	-	-	-	-	144	-	-	-		-	-
Increase (decrease) in total net assets	135,826	(31,896)	166,521	(2,548)	5,763	3,804	3,242	(2,201)	(299)	4,000		-	(10,560)
Total net assets, beginning of year	620,719	(119,309)	563,584	(15,860)	78,761	89,141	35,153	(9,751)	(16,907)	20,672		120	(4,885)
Total net assets, end of year	$ 756,545	$ (151,205)	$ 730,105	$ (18,408)	$ 84,524	$ 92,945	$ 38,395	$ (11,952)	$ (17,206)	$ 24,672		$ 120	$ (15,445)