



**Consolidated Financial Statements, Supplementary
Information and Report of Independent Certified Public
Accountants**

**Catholic Health Care Services of the Archdiocese of
Philadelphia**

June 30, 2012

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Report of Independent Certified Public Accountants

Board of Directors
Catholic Health Care Services
of the Archdiocese of Philadelphia

We have audited the accompanying consolidated balance sheet of Catholic Health Care Services of the Archdiocese of Philadelphia (the "Organization"), as of June 30, 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Health Care Services of the Archdiocese of Philadelphia, as of June 30, 2012, and the results of its operations and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

December 12, 2012

Catholic Health Care Services of the Archdiocese of Philadelphia

CONSOLIDATED BALANCE SHEET

June 30, 2012

ASSETS

Current assets

Cash and cash equivalents	\$ 2,999,942
Short-term investments - temporarily restricted	236
Reserve and escrow accounts	409,398
Patient accounts receivable	
Self-pay	3,985,450
Third-party payors	11,036,986
Allowance for doubtful accounts	<u>(682,743)</u>

Net patient accounts receivable 14,339,693

Other receivables	3,185,131
Related party receivable	983,561
Related party loan receivable	713,971
Inventories	143,436
Prepaid expenses	<u>780,632</u>

Total current assets 23,556,000

Investments

Unrestricted	19,697,601
Temporarily restricted	3,066,565
Permanently restricted	<u>159,591</u>

Total investments 22,923,757

Property, plant and equipment, net	78,573,902
Funds held by third parties	2,046,782
Resident funds escrow accounts	1,254,481
Deferred financing costs, net	143,762
Related party loan receivable	<u>47,999,269</u>

Total assets \$ 176,497,953

Continued on next page

Catholic Health Care Services of the Archdiocese of Philadelphia

CONSOLIDATED BALANCE SHEET - CONTINUED

June 30, 2012

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 4,685,140
Accrued salaries	8,106,392
Accrued expenses	4,362,672
Deferred revenue	<u>229,415</u>
Total current liabilities	<u>17,383,619</u>
Resident funds escrow accounts	1,254,481
Loan payable	7,181,119
Mortgage payable	4,960,000
Deferred developers fee	<u>630,938</u>
Total liabilities	<u>31,410,157</u>
Net assets	
Unrestricted	131,335,303
Non-controlling interest	<u>8,479,319</u>
Total unrestricted	139,814,622
Temporarily restricted	3,066,801
Permanently restricted	<u>2,206,373</u>
Total net assets	<u>145,087,796</u>
Total liabilities and net assets	<u>\$ 176,497,953</u>

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Health Care Services of the Archdiocese of Philadelphia

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 2012

Change in unrestricted net assets	
Operating revenues	
Net resident revenue, net of contractual allowances	\$ 123,024,925
Bad debt	<u>(82,376)</u>
Net resident revenue, net of bad debt	122,942,549
Other operating revenue	9,146,333
Net assets released from restrictions	<u>87,873</u>
Total operating revenues	<u>132,176,755</u>
Operating expenses	
Administration	8,546,086
Auxiliary services	1,181,102
Bond interest and fees	913,410
CHCS administration	2,814,479
CHCS finance	3,025,688
CHCS community based services	590,776
CHCS information technology services	2,511,226
Depreciation and amortization	6,314,198
Dietary	10,463,870
Housekeeping and laundry	4,646,151
Nurse administration	5,826,940
Pastoral care	544,407
Plant operation and maintenance	8,349,652
Professional care of residents	45,186,910
Recreation	1,827,482
Social services	1,513,328
Therapy services	6,485,041
Fringe benefits	25,427,335
Management agreement expenses	<u>3,733,736</u>
Total operating expenses	<u>139,901,817</u>
Operating loss	(7,725,062)
Nonoperating revenue	
Contributions and bequests	\$ 1,267,536
Interest and investment income	1,660,087
Realized gain on sale of investments	3,772,412
Unrealized gains and losses in fair value of investments	(4,001,780)
Change in fair value of interest rate swap	(1,082,086)
Net assets released from restrictions	900,580
Miscellaneous income	<u>48,099</u>
Total nonoperating revenue	<u>2,564,848</u>
Deficiency in revenue over expenses	(5,160,214)
Deficiency attributable to non-controlling interest	<u>(1,103,585)</u>
Deficiency in revenue over expenses attributable to parent	<u>(4,056,629)</u>
Decrease in unrestricted net assets	(5,160,214)

Continued on next page

Catholic Health Care Services of the Archdiocese of Philadelphia

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 2012

Decrease in unrestricted net assets (<i>from previous page</i>)	\$ (5,160,214)
Change in temporarily restricted net assets	
Interest and investment income	63,851
Realized loss on sale of investments	(57,124)
Unrealized gains and losses in fair value of investments	(71,188)
Net assets released from restrictions	<u>(986,281)</u>
Decrease in temporarily restricted net assets	(1,050,742)
Change in permanently restricted net assets	
Change in value of permanently restricted funds	526,284
Net assets released from restrictions	<u>(2,172)</u>
Increase in permanently restricted net assets	<u>524,112</u>
Decrease in net assets	(5,686,844)
Net assets	
Beginning of year	147,806,027
Prior period adjustment, Note C	<u>2,968,613</u>
Beginning of year, as restated	<u>150,774,640</u>
End of year	<u>\$ 145,087,796</u>

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Health Care Services of the Archdiocese of Philadelphia

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2012

Cash flows from operating activities and gains	
Decrease in net assets	\$ (5,686,844)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Bad debt	82,376
Unrealized gains and losses in fair value of investments	3,546,684
Realized gain on sale of investments	(3,715,288)
Depreciation and amortization	6,314,198
Change in fair value of interest rate swap	1,082,086
Changes in working capital which provided (or used) cash	
(Increase) decrease in accounts receivable, net	(2,620,513)
(Increase) decrease in short-term investments	1,000,280
(Increase) decrease in reserve and escrow accounts	9,183
(Increase) decrease in related party receivables	(854,301)
(Increase) decrease in other receivables	862,174
(Increase) decrease in inventories	12,799
(Increase) decrease in prepaid expenses	363,658
(Increase) decrease in funds held by third parties	(528,300)
Increase (decrease) in accounts payable	296,161
Increase (decrease) in accrued salaries	807,496
Increase (decrease) in accrued expenses	(4,846,407)
Increase (decrease) in deferred revenue	<u>96,484</u>
Net cash used in operating activities before trading securities	(3,778,074)
Change in investments trading securities, net	<u>67,648,642</u>
Net cash provided by operating activities	<u>63,870,568</u>
Cash flows from investing activities	
Capital expenditures	(7,359,009)
Related party loan receivable	<u>(48,713,240)</u>
Net cash used in investing activities	<u>(56,072,249)</u>
Cash flows from financing activities	
Settlement of interest rate swap	(2,289,000)
Repayment of long-term debt	(10,780,250)
Loan payable	<u>2,880,087</u>
Net cash used in financing activities	<u>(10,189,163)</u>
Net decrease in cash and cash equivalents	(2,390,844)
Cash and cash equivalents	
Beginning of year	<u>5,390,786</u>
End of year	<u>\$ 2,999,942</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u>\$ 314,315</u>

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Health Care Services of the Archdiocese of Philadelphia
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

NOTE A - NATURE OF OPERATIONS

Catholic Health Care Services of the Archdiocese of Philadelphia is the sole corporate member to the following entities: St. John Neumann Nursing Home, Immaculate Mary Home, St. Mary Manor, St. Martha Manor, St. Francis Country House and St. Monica Manor (collectively the "Facilities"). Each of these long-term care facilities are owned and operated by Catholic Health Care Services. Skilled nursing care is rendered to the sick elderly on a 24-hour basis, regardless of payor source. Each facility is a certified provider under Medicare, Medicaid and certain federally designated Medicare HMO programs in the area. Catholic Health Care Services is also the sole member of Villa Saint Martha. Villa Saint Martha is an independent/assisted living facility, which is owned and operated by Catholic Health Care Services.

Catholic Health Care Services manages Villa Saint Joseph, a personal care facility, which is owned by the Archdiocese of Philadelphia.

Catholic Health Care Services is a non-profit corporation whose members consist of the following: The Archbishop of Philadelphia, The Moderator of the Curia, and The Secretary for Clergy.

Catholic Health Care Services receives an annual fee for administrative support services from all of the Facilities, Villa Saint Joseph, and St. John Vianney Center (an affiliated entity) in exchange for management services rendered. The fees from the Facilities are eliminated in the consolidation.

St. John Neumann Place is a 75 unit facility which provides housing to the elderly community. St. John Neumann Place entered into a partnership joint venture for the project as the general partner and owns 0.01% interest of the partnership. St. John Neumann Place is a controlled entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements include the accounts of Catholic Health Care Services, the Facilities and its controlled entity and are collectively referred to as "CHCS".

For consolidated for-profit entities in which the ownership is less than 100%, the outside ownership interests are shown as non-controlling interests. All significant intercompany accounts and transactions have been eliminated.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis. Net assets and its revenues, expenses, gains and losses are classified into three categories, based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted and unrestricted net assets.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donor or implied by the nature of the gift.

Permanently restricted net assets include the historical dollar amounts of gifts, including pledges, trusts, and remainder interests, which require by donor restriction that the corpus be invested in perpetuity and only the investment income be made available for operations in accordance with donor restrictions. Capital appreciation, if permanently restricted by the donor, is included in permanently restricted net assets.

Unrestricted net assets are free of donor imposed restrictions and are all the remaining net assets of CHCS.

3. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These significant estimates include the allowance for doubtful accounts, useful lives of depreciable assets, and fair values of investments. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

CHCS considers investments in highly liquid securities, authorized by management, purchased with a maturity of three months or less from the date purchased to be cash equivalents. CHCS maintains cash balances with financial institutions that at times may exceed Federal Depository Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

5. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the consolidated statements of operations and changes in net assets. The fair value of certain alternative investments is estimated using the net asset value ("NAV") per share. CHCS has designated its investment portfolio as trading.

6. Inventories

Inventories are stated at the lower of aggregate cost (first-in, first-out) or market.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Donated assets are recorded at fair value at the date of donation. Upon sale, or retirement of depreciable property, the cost and related accumulated depreciation are removed from the related accounts, and resulting gains or losses are retired in operations.

Recovery periods are based on the following ranges of useful lives:

Land improvements	5 - 20 years
Buildings	20 - 40 years
Building improvements	5 - 25 years
Furniture and fixtures	5 - 20 years
Movable equipment	3 - 20 years

8. Long-Lived Assets

CHCS continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, CHCS uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. The impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based on market prices where available, or discounted cash flows. Management believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2012.

9. Deferred Financing Costs

Deferred financing costs are amortized over the life of the related long-term debt, 30 years. Accumulated amortization was \$50,216 at June 30, 2012.

10. Classification of Gifts

CHCS reports gifts of cash and other assets as restricted support if they are received with donor stipulation that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Resident Service Revenues and Allowances

CHCS reports resident service revenue at the estimated net realizable value of the amounts due from residents and third-party payors.

Each of the nursing facilities of CHCS is reimbursed prospectively using a daily rate based on the acuity level of patients for its Medicare and Medicaid residents.

CHCS provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of residents to make payments for services. The allowance is determined by analyzing historical data and trends. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and CHCS ceases collection efforts.

For receivables associated with services provided to residents or patients who have third-party coverage, CHCS analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay residents or patients, CHCS records a significant provision for bad debts on the basis of its past experience and on its review of individual receivable accounts to evaluate the ability and willingness of residents and patients to pay amounts due for the portion of their bill for which they are financially responsible.

Net residential fees and net health care revenues for the year ended June 30, 2012, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources based on primary insurance designation, are as follows:

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Net resident revenue	\$ 91,337,062	\$ 31,687,863	\$ 123,024,925

Deductibles and copayments under third-party payment programs within the third-party payor amounts above are the residents' responsibility, and CHCS considers these amounts in its determination of the provision for bad debts based on collection experience.

CHCS has not experienced significant changes in write-off trends and has not changed its charity care policy for the year ended June 30, 2012.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Nursing Home Assessment and Other Revenue

The Pennsylvania Nursing Facility Assessment Program was finalized in January 2005 and is effective July 1, 2003 through July 1, 2007. The assessment program was reauthorized by Act 16 of 2007 (P.L. 49, No. 16) through FY 2011-2012. The program, approved by the Centers for Medicare and Medicaid Services, authorized the collection of an assessment from all non-governmental licensed nursing facilities for the purpose of maintaining Medicaid Assistance ("MA") rates and providing additional reimbursements to MA participating facilities. Quarterly assessment and supplemental calculations are based on resident days by payor type. For the year ended June 30, 2012, the net nursing home assessment was \$2,265,741 and is recognized within other operating revenue.

13. Pledges/Contributions

Unconditional promises to give (pledges) are recorded as receivables and revenues at fair value at the date the promise is received within the appropriate net asset category. Donor-restricted gifts which are received and either spent or deemed spent within the same year are reported as unrestricted revenues and expenses. Gifts of long-lived assets are reported at fair value as unrestricted revenue. Gifts specified for the acquisition or constructions of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

14. Deficiency in Revenue over Expenses

The consolidated statements of operations and changes in net assets include deficiency in revenue over expenses. Changes in unrestricted net assets which are excluded from deficiency in revenue over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

15. New Accounting Guidance

In July 2011, the Financial Accounting Standards Board ("FASB") issued authoritative guidance to provide amendments to the presentation of the statement of operations for certain health care entities and enhanced disclosure about net patient service revenue and the related allowance for doubtful accounts. These amendments require certain health care entities to present their provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts). These amendments also require disclosure of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. Additionally, health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. CHCS early adopted the provisions of this guidance as of and for the year ended June 30, 2012. The change in presentation and additional disclosures are reflected in CHCS's statements of operations and changes in net assets.

Catholic Health Care Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE C - PRIOR PERIOD ADJUSTMENT TO UNRESTRICTED NET ASSETS

CHCS participates in an unemployment compensation fund administered by the Archdiocese of Philadelphia (the "Fund"). CHCS believes the assets related to the Fund should be recognized in its consolidated financial statements. The Fund's balance, attributable to CHCS, as of June 30, 2012 and 2011 was \$2,809,676 and \$2,968,613, respectively. CHCS contributed \$195,295 to the Fund during the current year and withdrew \$291,718. The current year decrease in the fair market value of the Fund is \$62,514.

As a result, the net asset balance at July 1, 2011 has been restated to reflect the recognition of these assets, as follows:

Net assets at July 1, 2011, as originally reported	\$ 147,806,027
Cumulative change in net assets - prior period adjustment	<u>2,968,613</u>
Net assets at July 1, 2011, as restated	\$ <u>150,774,640</u>

The aforementioned adjustment had no effect on changes in net assets for the year ended June 30, 2011.

NOTE D - COMMUNITY BENEFIT

CHCS maintains records to identify and monitor the level of community care it provides. The level of community benefits provided as identified in accordance with CHCS's accounting policies is as follows for the year ended June 30, 2012:

Charitable services	
Unpaid cost of state programs to the financially disadvantaged (e.g., Medicaid)	\$ 16,949,130
Unpaid cost of services to other financially disadvantaged persons	<u>667,697</u>
Total community care at cost	\$ <u>17,616,827</u>

NOTE E - INVESTMENTS

At June 30, 2012, CHCS's investments are summarized and classified as follows:

2012	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Archdiocese of Philadelphia Non-Pension Asset Portfolio	\$ 16,887,925	\$ 3,066,565	\$ 159,591	\$ 20,114,081
Unemployment insurance fund	<u>2,809,676</u>	<u>-</u>	<u>-</u>	<u>2,809,676</u>
	<u>\$ 19,697,601</u>	<u>\$ 3,066,565</u>	<u>\$ 159,591</u>	<u>\$ 22,923,757</u>

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE E - INVESTMENTS - Continued

For administrative and other needs, the Archdiocese of Philadelphia formed the Non-Pension Assets Portfolio (the "NPAP") to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese of Philadelphia. The investments in the NPAP are held by a custodian and are managed based on sub-accounts as follows:

Equity Sub-Account (or "fund") - Invests in common stocks and is managed by multiple investment managers.

Fixed Income Sub-Account (or "fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by multiple investment managers.

Liquidity Sub-Account (or "fund") - Investments are liquid in nature and are used to buy and sell units of the Equity and Fixed Income funds.

The NPAP is unitized on a periodic basis to allow for the investment, at unit value, by entities in the NPAP. The Archdiocese of Philadelphia's investment in the NPAP is stated at unit value.

The Investment Committee of the Archdiocese of Philadelphia has primary responsibility for determining the allocation of amounts to be invested among the funds. Management is responsible for ensuring that investment allocations among the funds are maintained as determined by the Investment Committee.

At June 30, 2012, CHCS held the following categories of investments within the NPAP:

	2012
	<u>Ownership</u>
Equity	\$ 12,538,480
Fixed income	<u>7,575,601</u>
	<u>\$ 20,114,081</u>

NOTE F - FUNDS HELD BY THIRD PARTIES

CHCS is the beneficiary of individual trusts held in perpetuity by third parties. At June 30, 2012, the allocable fair value of these trusts was \$2,046,782 and is recorded as funds held by third parties in the accompanying consolidated balance sheet. During fiscal year 2012, CHCS recognized unrestricted income of \$47,791 and permanently restricted appreciation of \$528,300 related to these trusts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE G - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation at June 30, 2012 consist of:

Land	\$ 1,650,825
Land improvements	3,971,474
Buildings and improvements	113,845,256
Furniture and equipment	20,061,660
Automotive equipment	753,522
Construction in progress	<u>17,747,948</u>
	158,030,685
Accumulated depreciation	<u>(79,456,783)</u>
Property, plant and equipment, net	\$ <u>78,573,902</u>

Depreciation expense was \$6,205,488 for the year ended June 30, 2012.

NOTE H - PENSIONS

The eligible lay employees of CHCS are covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan") which is a defined benefit pension plan that covers substantially all lay employees, once age and service requirements are met, of the Archdiocese of Philadelphia, its institutions and parishes. The Plan is administered by the Trustees of the Lay Employees' Retirement Plan. CHCS made annual contributions to the Plan at an average rate of 5% of the salaries of eligible employees for the year ended June 30, 2012. The amount expensed by CHCS for contributions to the Plan was \$2,620,206 for the year ended June 30, 2012. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

NOTE I - DEBT

Loan Payable

St. Monica Manor obtained a loan from Beneficial Mutual Savings Bank and has the ability to borrow up to \$8,470,000 in order to renovate and redesign the St. Monica Manor property. During the construction period (June 2010 through June 2013) the loan will bear interest equal to the Wall Street Journal Prime Rate plus 100 basis points, which is 4.25% at June 30, 2012. After the construction period for a period of 25 years (June 2013 through 2038) the loan will bear interest equal to the rate announced as the Federal Home Loan Bank of Pittsburgh's Amortizing 5 Year Long Term Fixed Rate plus 300 basis points. The amount outstanding at June 30, 2012 is \$7,181,119.

Mortgage Payable

St. John Neumann Place LP obtained a loan from the Archdiocese, in the principal amount of \$2,860,000, with a term of thirty years and an interest rate of 6.25%, compounded annually. Principal and interest are payable in monthly installments as cash flow permits with any balance due in full on the 30th anniversary of the closing.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE I - DEBT - Continued

Redevelopment Authority (“RDA”), an agency of the City of Philadelphia, approved St. John Neumann Place LP \$1,765,000 loan through the Federal HOME program. The loan will bear interest at the greater of 4.9% or a composite rate, as defined in the Mortgage Note. Interest will accrue from the date of the closing and principal and interest is payable in full on the 30th anniversary of the closing.

St. John Neumann Place LP received funding of \$335,000 under the Federal HOME Loan Bank’s Affordable Housing Program (“AHP”). The program provides a self-amortizing loan that will not require repayment if the project is maintained in accordance with AHP regulations for the 15-year retention period. Should the partnership not meet these terms, repayment of principal plus interest will be required.

Bonds Payable

On July 1, 2001, the Archdiocese of Philadelphia and affiliates of the Archdiocese under its supervision and control issued \$65,500,000 Variable Rate Revenue Bonds Series of 2001 (the “2001 Bonds”) through the Chester County Industrial Development Authority (the “Issuer”). The 2001 Bonds were scheduled to mature on July 1, 2031 and initially bear interest at a Daily Rate, which can be converted to a Weekly Rate or Term Rate at the election of the Archdiocese. Interest on the 2001 Bonds bearing interest at the Daily or Weekly Rate is payable monthly on the first business day of each month, whereas interest on the 2001 Bonds bearing interest at the Term Rate was payable semiannually on each January 1 and July 1. The 2001 Bonds have been repaid as part of the Term Loan Agreement with the Archdiocese (Note O).

Approximately \$357,659 of interest expense related to the 2001 Bonds was recorded for the year ended June 30, 2012.

On September 1, 2004, the Archdiocese of Philadelphia and affiliates of the Archdiocese entered into an interest rate swap agreement with a total outstanding notational amount of \$6,142,000, which expires on July 1, 2024. The swap effectively converted the interest on the Series 2001 bonds apportioned to CHCS, from a variable rate to a fixed rate of 3.81%. The interest rate swap was settled as part of the Term Loan Agreements with the Archdiocese of Philadelphia for \$2,289,000 (Note O).

The effect of the interest rate swap on the consolidated statement of operations and changes in net assets at June 30, 2012 is as follows:

	Location in statement of operations and changes in net assets	Loss recognized <u>June 30, 2012</u>
Interest rate swap agreement	Change in fair value of interest rate swap	\$ (1,082,086)

Catholic Health Care Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE J - RESIDENT FUND ESCROW ACCOUNTS

CHCS acts as trustee over funds held for its residents. Expenditures of resident funds are authorized by the residents or their families. Generally, the funds are used to cover the costs of personal items which are not covered by the daily general service charge or special charges. These funds are returned to the resident, family, or estate upon discharge or death.

NOTE K - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

Residential services	\$ 1,287,739
Maintenance of the facilities	1,650,653
Acquisition of nursing facilities in South Philadelphia	<u>128,409</u>
	<u>\$ 3,066,801</u>

Permanently restricted net assets at June 30, 2012 are restricted to:

Investments to be held in perpetuity, the income from which is expendable to support operations of the organization (reported as other operating income)	\$ <u>2,206,373</u>
	<u>\$ 2,206,373</u>

During 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of residential services, maintenance of the facilities, acquisition of nursing facilities in South Philadelphia and other purposes in the amount of \$988,453.

NOTE L - INCOME TAXES

CHCS is a nonprofit corporation which has been granted exempt status from federal and state taxation under Section 501(c)(3) of the Internal Revenue Code.

CHCS follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. CHCS has determined that there are no uncertain tax positions requiring recognition in the consolidated financial statements at June 30, 2012.

NOTE M - MEDICAL MALPRACTICE INSURANCE

CHCS insures against the risks of malpractice losses resulting from claims against any of its facilities, by participating in the Pennsylvania's Medical Care Availability and Reduction of Error Fund (the "MCARE Fund"). With respect to the primary malpractice insurance risk not covered by the MCARE Fund, CHCS participates in the Archdiocese of Philadelphia Institutions' general professional liability insurance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE N - CONCENTRATION OF CREDIT RISK

CHCS grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2012 was as follows:

Private pay	27%
Medical assistance	54%
Medicare	10%
Insurance and other	<u>9%</u>
	<u>100%</u>

NOTE O - RELATED PARTY TRANSACTIONS

Loan Receivable

In June 2012, the Archdiocese of Philadelphia and related entities entered into several Term Loan Agreements with participating Archdiocesan entities to retire outstanding external debt obligations. These retired obligations include the Variable Rate Revenue Bonds Series of 2008 issued through the Montgomery County Industrial Development Authority totaling \$47,007,923; the Variable Rate Revenue Bonds Series of 2001 through the Chester County Industrial Development Authority totaling \$50,708,547; and the various interest rate swap transactions associated with these debts totaling \$15,750,000. The transaction resulted in the inter-diocesan Term Loan Receivables and Term Loans Payables totaling \$77,357,582 at participating Archdiocesan entities, which included a loan receivable of \$48,713,240 recorded by CHCS.

The Loans are collateralized by first priority mortgage liens encumbering the following Archdiocesan high school premises: Bonner-Prendergrast High School, Pope John Paul II High School, Bishop Shanahan High School and Archbishop Wood High School. In addition, the Archdiocese pledges the High School Revenue associated with these specific schools. The loan carries a fixed interest rate of 4% amortized over 30 years maturing on June 1, 2015.

The future principal amounts receivable on the loan at June 30, 2012 are as follows:

2013	\$ 713,971
2014	888,825
2015	924,915
Balloon payment receivable June 1, 2015	<u>46,185,529</u>
	<u>\$ 48,713,240</u>

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE O - RELATED PARTY TRANSACTIONS - Continued

Other

CHCS is covered under various insurance, retirement and other plans of the Archdiocese of Philadelphia. The transactions with the Archdiocese of Philadelphia and affiliates charged to expense for the fiscal year ended June 30, 2012 is as follows:

Management fee	\$ 7,187,179
Pension	2,620,206
Insurance	<u>8,398,839</u>
	<u>\$ 18,206,224</u>

CHCS, as lender, has entered into loan agreement with the Office of Nutritional Development Services for revolving line of credit of \$500,000. The terms of the agreement mature June 30, 2013. The line of credit bears interest monthly on the effective interest rate of the Borrowers. No amounts have been drawn upon as of June 30, 2012.

NOTE P - TRANSFER OF NET ASSETS

During the fiscal year ended June 30, 2012, all unrestricted net assets of the facilities, with the exception of net property, plant and equipment and certain unrestricted gifts, were transferred to CHCS. The transfer (exclusive of Villa Saint Martha) was made pursuant to the restructuring of the organization and authorizations contained in the restated articles of incorporation for each of the facilities. The transfers to CHCS were in contemplation and support of furthering the goals and mission of CHCS.

NOTE Q - FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE Q - FAIR VALUE MEASUREMENTS - Continued

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

The fair value of certain alternative investments is estimated using the net asset value ("NAV") per share. These investments are classified as either Level 2, if CHCS's investment can be redeemed at the reporting date or within the near term, or Level 3, if its investment is not redeemable at the NAV per share at or near the balance sheet date.

Fair value measurements of investments in entities that calculate NAV per share or its equivalent as of June 30, 2012 are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Archdiocese NPAP (a)	\$ 20,114,081	\$ -	daily	1 day

- (a) A pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the NPAP is preservation of capital while reducing, to the greatest extent possible, the possibility of loss. The investment strategy and long-term asset allocation for the NPAP takes into consideration the specific spending requirements and the present and future needs of the Archdiocese of Philadelphia and its respective participating Ecclesiastical Organizations. Therefore, the desired minimum rate of return is equal to the Consumer Price Index ("CPI") plus three percent (3%) on an annualized basis. The fair values are estimated using the NAV per share of the investments.

Following is a description of the CHCS's valuation methodologies for assets and liabilities measured at fair value that are not part of the NPAP. The Other Investments consist of the individual trusts held by third parties in perpetuity.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

(Continued)

Catholic Health Care Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE Q - FAIR VALUE MEASUREMENTS - Continued

The following table presents the fair values of the investments held by CHCS by level within the fair value hierarchy, as of June 30, 2012:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Archdiocese NPAP	\$ -	\$ 20,114,081	\$ -	\$ 20,114,081
Unemployment insurance fund	2,809,676	-	-	2,809,676
Beneficial interest in perpetual trust	-	-	<u>2,046,782</u>	<u>2,046,782</u>
Total of assets at June 30, 2012	<u>\$ 2,809,676</u>	<u>\$ 20,114,081</u>	<u>\$ 2,046,782</u>	<u>\$ 24,970,539</u>

The table below sets forth a summary of changes in the fair value of CHCS' Level 3 assets for the year ended June 30, 2012:

Balance at beginning of year	\$ 1,518,482
Change in unrealized gains and losses	<u>528,300</u>
Balance at end of year	<u>\$ 2,046,782</u>

NOTE R - FUNCTIONAL EXPENSES

CHCS provides a variety of services, as described in Note B. Expenses related to providing these services are as follows for the year ended June 30, 2012:

Health Care	\$ 119,117,638
Housing and Community-based Services	2,159,445
Administrative	<u>18,624,734</u>
	<u>\$ 139,901,817</u>

NOTE S - SUBSEQUENT EVENTS

CHCS evaluated its June 30, 2012 consolidated financial statements for subsequent events through December 12, 2012, the date the consolidated financial statements were available to be issued. CHCS is not aware of any subsequent event which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION



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**Report of Independent Certified Public Accountants
on Supplementary Information**

**Board of Directors
Catholic Health Care Services of the Archdiocese of Philadelphia**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheet as of June 30, 2012 and the consolidating statement of operations and changes in net assets for the year then ended are presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual companies, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the consolidating information is fairly stated in all material respects, in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania

December 12, 2012

Catholic Health Care Services of the Archdiocese of Philadelphia

CONSOLIDATING BALANCE SHEET

June 30, 2012

ASSETS	Immaculate Mary	Saint Francis	St. John Neumann	St. Monica Manor	St. Mary Manor	St. Martha Manor	Villa St. Martha	Senior Care Partners	CHCS	Subtotal	St. John Neumann Place	Elimination	Consolidated totals
Current assets													
Cash and cash equivalents	\$ 2,700	\$ 1,300	\$ 1,045	\$ 1,559,316	\$ 67,123	\$ 1,350	\$ 143,981	\$ -	\$ 1,190,311	\$ 2,967,126	\$ 32,816	\$ -	\$ 2,999,942
Short-term investments - temporarily restricted	-	-	-	-	-	-	-	-	236	236	-	-	236
Reserve and escrow accounts	-	-	-	-	15,105	-	47,423	-	-	62,528	346,870	-	409,398
Patient accounts receivable													
Self-pay	910,331	1,094,179	533,488	323,311	963,127	150,798	7,629	-	-	3,982,863	2,587	-	3,985,450
Third-party payors	1,880,737	3,009,278	1,979,782	1,870,938	1,165,313	1,130,938	-	-	-	11,036,986	-	-	11,036,986
Allowance for doubtful accounts	(104,091)	(103,706)	(107,071)	(172,922)	(167,598)	(27,355)	-	-	-	(682,743)	-	-	(682,743)
Net patient accounts receivable	2,686,977	3,999,751	2,406,199	2,021,327	1,960,842	1,254,381	7,629	-	-	14,337,106	2,587	-	14,339,693
Other receivables	42,798	46,035	115,234	1,091,086	(38,038)	30,775	972	-	1,896,269	3,185,131	-	-	3,185,131
Related party receivable	(414,009)	(521,439)	(353,683)	(9,062,311)	(257,626)	(170,049)	254,149	(347,115)	11,855,644	983,561	-	-	983,561
Due to/from CHCS (entities)	342,942	(1,186,748)	(165,027)	13,528,582	(126,558)	101,682	196,493	-	(12,691,366)	-	-	-	-
Related party loan receivable	-	-	-	-	-	-	-	-	713,971	713,971	-	-	713,971
Intercompany loan receivable	-	-	-	-	-	-	-	-	244,568	244,568	-	(244,568)	-
Inventories	39,882	30,899	21,669	-	32,113	18,873	-	-	-	143,436	-	-	143,436
Prepaid expenses	26,373	271,370	213,817	126,061	21,071	35,287	27,467	-	59,186	780,632	-	-	780,632
Total current assets	2,727,663	2,641,168	2,239,254	9,264,061	1,674,032	1,272,299	678,114	(347,115)	3,268,819	23,418,295	382,273	(244,568)	23,556,000
Investments													
Unrestricted	-	-	-	-	7,300,698	-	-	-	12,396,903	19,697,601	-	-	19,697,601
Temporarily restricted	1,287,739	1,650,653	-	-	-	-	-	-	128,173	3,066,565	-	-	3,066,565
Permanently restricted	-	159,591	-	-	-	-	-	-	-	159,591	-	-	159,591
Total investments	1,287,739	1,810,244	-	-	7,300,698	-	-	-	12,525,076	22,923,757	-	-	22,923,757
Property, plant and equipment, net	7,123,543	12,372,366	4,222,427	19,646,926	6,846,302	4,362,599	7,024,397	3,168	1,644,564	63,246,292	15,327,610	-	78,573,902
Funds held by third parties	-	1,786,009	137,165	-	123,608	-	-	-	-	2,046,782	-	-	2,046,782
Resident funds escrow accounts	169,728	233,273	232,988	168,812	22,347	35,772	356,842	-	-	1,219,762	34,719	-	1,254,481
Deferred financing costs, net	-	-	-	-	-	-	-	-	-	-	143,762	-	143,762
Related party loan receivable	-	-	-	-	-	-	-	-	47,999,269	47,999,269	-	-	47,999,269
Intercompany loan receivable	-	-	-	-	-	-	-	-	12,526,449	12,526,449	-	(12,526,449)	-
Total assets	\$ 11,308,673	\$ 18,843,060	\$ 6,831,834	\$ 29,079,799	\$ 15,966,987	\$ 5,670,670	\$ 8,059,353	\$ (343,947)	\$ 77,964,177	\$ 173,380,606	\$ 15,888,364	\$ (12,771,017)	\$ 176,497,953
LIABILITIES AND NET ASSETS													
Current liabilities													
Accounts payable	\$ 692,160	\$ 719,062	\$ 464,694	\$ 1,096,815	\$ 441,704	\$ 327,827	\$ 98,575	\$ -	\$ 834,273	\$ 4,675,110	\$ 10,030	\$ -	\$ 4,685,140
Accrued salaries	1,631,210	1,580,931	1,381,422	641,796	934,879	742,273	212,796	-	977,607	8,102,914	3,478	-	8,106,392
Accrued expenses	404,186	341,175	387,138	344,331	216,061	202,199	79,795	-	617,907	2,592,792	1,769,880	-	4,362,672
Deferred revenue	107	-	6,000	-	81,388	-	141,920	-	-	229,415	-	-	229,415
Intercompany loan payable	-	-	-	-	-	-	244,568	-	-	244,568	-	(244,568)	-
Total current liabilities	2,727,663	2,641,168	2,239,254	2,082,942	1,674,032	1,272,299	777,654	-	2,429,787	15,844,799	1,783,388	(244,568)	17,383,619
Resident funds escrow accounts	169,728	233,273	232,988	168,812	22,347	35,772	356,842	-	-	1,219,762	34,719	-	1,254,481
Bond payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan payable	-	-	-	7,181,119	-	-	-	-	-	7,181,119	-	-	7,181,119
Intercompany loan payable	-	-	-	-	-	-	12,526,449	-	-	12,526,449	-	(12,526,449)	-
Mortgage payable	-	-	-	-	-	-	-	-	-	-	4,960,000	-	4,960,000
Deferred developers fee	-	-	-	-	-	-	-	-	-	-	630,938	-	630,938
Total liabilities	2,897,391	2,874,441	2,472,242	9,432,873	1,696,379	1,308,071	13,660,945	-	2,429,787	36,772,129	7,409,045	(12,771,017)	31,410,157
Net assets													
Unrestricted	7,123,543	12,372,366	4,222,427	19,646,926	14,147,000	4,362,599	(5,601,592)	(343,947)	75,405,981	131,335,303	-	-	131,335,303
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	8,479,319	-	8,479,319
Total unrestricted	7,123,543	12,372,366	4,222,427	19,646,926	14,147,000	4,362,599	(5,601,592)	(343,947)	75,405,981	131,335,303	8,479,319	-	139,814,622
Temporarily restricted	1,287,739	1,650,653	-	-	-	-	-	-	128,409	3,066,801	-	-	3,066,801
Permanently restricted	-	1,945,600	137,165	-	123,608	-	-	-	-	2,206,373	-	-	2,206,373
Total net assets	8,411,282	15,968,619	4,359,592	19,646,926	14,270,608	4,362,599	(5,601,592)	(343,947)	75,534,390	136,608,477	8,479,319	-	145,087,796
Total liabilities and net assets	\$ 11,308,673	\$ 18,843,060	\$ 6,831,834	\$ 29,079,799	\$ 15,966,987	\$ 5,670,670	\$ 8,059,353	\$ (343,947)	\$ 77,964,177	\$ 173,380,606	\$ 15,888,364	\$ (12,771,017)	\$ 176,497,953

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 2012

	Immaculate Mary	Saint Francis	St. John Neumann	St. Monica Manor	St. Mary Manor	St. Martha Manor	Villa St. Martha	Senior Care Partners	CHCS	Subtotal	St. John Neumann Place	Elimination	Consolidated totals
Change in unrestricted net assets													
Operating revenues													
Net resident revenue, net of contractual allowances	\$ 27,692,524	\$ 25,744,730	\$ 19,898,590	\$ 16,865,394	\$ 14,866,485	\$ 12,396,719	\$ 5,095,399	\$ -	\$ -	\$ 122,559,841	\$ 465,084	\$ -	\$ 123,024,925
Bad debt	(23,385)	(39,606)	-	-	(12,377)	(3,770)	(3,238)	-	-	(82,376)	-	-	(82,376)
Net resident revenue, net of bad debt	27,669,139	25,705,124	19,898,590	16,865,394	14,854,108	12,392,949	5,092,161	-	-	122,477,465	465,084	-	122,942,549
Other operating revenue	845,832	610,913	679,556	313,060	547,660	256,267	9,424	2,609	12,520,891	15,786,212	-	(6,639,879)	9,146,333
Net assets released from restrictions	36,677	51,196	-	-	-	-	-	-	-	87,873	-	-	87,873
Total operating revenues	28,551,648	26,367,233	20,578,146	17,178,454	15,401,768	12,649,216	5,101,585	2,609	12,520,891	138,351,550	465,084	(6,639,879)	132,176,755
Operating expenses													
Administration	2,813,635	3,052,855	2,458,256	2,002,479	2,204,142	1,457,372	968,161	-	-	14,956,900	229,065	(6,639,879)	8,546,086
Auxiliary services	328,443	169,087	371,714	92,765	148,385	45,303	25,205	-	-	1,181,102	-	-	1,181,102
Bond interest and fees	-	-	-	-	-	-	517,727	-	-	517,727	395,683	-	913,410
CHCS administration	-	-	-	-	-	-	-	-	2,814,479	2,814,479	-	-	2,814,479
CHCS finance	-	-	-	-	-	-	-	-	3,025,688	3,025,688	-	-	3,025,688
CHCS community based services	-	-	-	-	-	-	-	344,560	246,216	590,776	-	-	590,776
CHCS information technology services	-	-	-	-	-	-	-	-	2,511,226	2,511,226	-	-	2,511,226
Depreciation and amortization	1,062,837	1,205,811	709,726	406,150	962,194	482,017	534,278	1,996	210,831	5,575,840	738,358	-	6,314,198
Dietary	2,132,747	2,020,795	1,665,131	1,431,773	1,556,958	1,026,984	629,482	-	-	10,463,870	-	-	10,463,870
Housekeeping and laundry	1,026,852	887,584	810,287	722,153	562,262	480,635	156,378	-	-	4,646,151	-	-	4,646,151
Nurse administration	1,284,159	1,189,919	1,041,884	908,435	722,458	680,085	-	-	-	5,826,940	-	-	5,826,940
Pastoral care	119,773	75,563	102,974	39,555	112,809	86,531	7,202	-	-	544,407	-	-	544,407
Plant operation and maintenance	1,531,325	1,621,774	1,213,254	887,420	1,355,300	947,262	654,304	-	-	8,210,639	139,013	-	8,349,652
Professional care of residents	10,211,127	10,197,563	7,564,588	6,729,717	4,920,888	4,623,756	939,271	-	-	45,186,910	-	-	45,186,910
Recreation	402,360	336,873	297,993	228,350	290,597	161,871	109,438	-	-	1,827,482	-	-	1,827,482
Social services	307,548	316,070	221,763	235,850	141,029	165,718	58,800	-	-	1,446,778	66,550	-	1,513,328
Therapy services	1,354,098	1,283,068	963,723	1,242,687	756,712	884,753	-	-	-	6,485,041	-	-	6,485,041
Fringe benefits	6,090,017	5,352,769	4,505,189	3,214,279	3,067,493	2,500,406	600,759	-	96,423	25,427,335	-	-	25,427,335
Management agreement expenses	-	-	-	-	-	-	-	-	3,733,736	3,733,736	-	-	3,733,736
Total operating expenses	28,664,921	27,709,731	21,926,482	18,141,613	16,801,227	13,542,893	5,201,005	346,556	12,638,599	144,973,027	1,568,669	(6,639,879)	139,901,817
Operating loss	(113,273)	(1,342,498)	(1,348,336)	(963,159)	(1,399,459)	(893,677)	(99,420)	(343,947)	(117,708)	(6,621,477)	(1,103,585)	-	(7,725,062)
Nonoperating revenue													
Contributions and bequests	38,145	88,312	44,170	974,754	33,580	15,212	-	-	73,363	1,267,536	-	-	1,267,536
Interest and investment income	34	38,416	5,858	5,798	158,246	121	881	-	1,450,733	1,660,087	-	-	1,660,087
Realized (loss) gain on sale of investments	-	-	-	-	(141,116)	-	-	-	3,913,528	3,772,412	-	-	3,772,412
Unrealized gains and losses in fair value of investments	-	-	-	-	(175,830)	-	-	-	(3,825,950)	(4,001,780)	-	-	(4,001,780)
Change in fair value of interest rate swap	-	-	-	-	-	-	(1,082,086)	-	-	(1,082,086)	-	-	(1,082,086)
Net assets released from restrictions	-	-	25,000	-	-	-	-	-	875,580	900,580	-	-	900,580
Miscellaneous income	19,398	-	7,039	1,995	16,485	1,197	1,985	-	-	48,099	-	-	48,099
Total nonoperating revenue	57,577	126,728	82,067	982,547	(108,635)	16,530	(1,079,220)	-	2,487,254	2,564,848	-	-	2,564,848
(Deficiency in) excess of revenue over expenses	(55,696)	(1,215,770)	(1,266,269)	19,388	(1,508,094)	(877,147)	(1,178,640)	(343,947)	2,369,546	(4,056,629)	(1,103,585)	-	(5,160,214)
Affiliate transfers	(499,160)	617,510	758,201	3,599,419	635,379	554,667	-	-	(5,666,016)	-	-	-	-
Deficiency attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,103,585)	-	(1,103,585)
(Deficiency in) excess of revenue over expenses attributable to parent	(554,856)	(598,260)	(508,068)	3,618,807	(872,715)	(322,480)	(1,178,640)	(343,947)	(3,296,470)	(4,056,629)	-	-	(4,056,629)
(Decrease) increase in unrestricted net assets	(554,856)	(598,260)	(508,068)	3,618,807	(872,715)	(322,480)	(1,178,640)	(343,947)	(3,296,470)	(4,056,629)	(1,103,585)	-	(5,160,214)
Change in temporarily restricted net assets													
Interest and investment income	27,181	36,364	-	-	-	-	-	-	306	63,851	-	-	63,851
Realized (loss) gain on sale of investments	(24,499)	(32,668)	-	-	-	-	-	-	43	(57,124)	-	-	(57,124)
Unrealized gains and losses in fair value of investments	(31,772)	(42,540)	-	-	-	-	-	-	3,124	(71,188)	-	-	(71,188)
Net assets released from restrictions	(36,677)	(49,024)	(25,000)	-	-	-	-	-	(875,580)	(986,281)	-	-	(986,281)
Decrease in temporarily restricted net assets	(65,767)	(87,868)	(25,000)	-	-	-	-	-	(872,107)	(1,050,742)	-	-	(1,050,742)
Change in permanently restricted net assets													
Change in value of permanently restricted funds	-	547,605	(16,474)	-	(4,847)	-	-	-	-	526,284	-	-	526,284
Net assets released from restrictions	-	(2,172)	-	-	-	-	-	-	-	(2,172)	-	-	(2,172)
Increase (decrease) in permanently restricted net assets	-	545,433	(16,474)	-	(4,847)	-	-	-	-	524,112	-	-	524,112
(Decrease) increase in net assets	(620,623)	(140,695)	(549,542)	3,618,807	(877,562)	(322,480)	(1,178,640)	(343,947)	(4,168,577)	(4,583,259)	(1,103,585)	-	(5,686,844)
Net assets													
Beginning of year	9,031,905	16,109,314	4,909,134	16,028,119	15,148,170	4,685,079	(4,422,952)	-	76,734,354	138,223,123	9,582,904	-	147,806,027
Prior period adjustment, Note C	-	-	-	-	-	-	-	-	2,968,613	-	-	-	2,968,613
Beginning of year as restated	9,031,905	16,109,314	4,909,134	16,028,119	15,148,170	4,685,079	(4,422,952)	-	79,702,967	138,223,123	9,582,904	-	150,774,640
End of year	\$ 8,411,282	\$ 15,968,619	\$ 4,359,592	\$ 19,646,926	\$ 14,270,608	\$ 4,362,599	\$ (5,601,592)	\$ (343,947)	\$ 75,534,390	\$ 133,639,864	\$ 8,479,319	\$ -	\$ 145,087,796