

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

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

June 30, 2013 and 2012

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Grant Thornton

Report of Independent Certified Public Accountants

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

We have audited the accompanying consolidated financial statements of Catholic Health Care Services of the Archdiocese of Philadelphia, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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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, 2013 and 2012, and the results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheets as of June 30, 2013 and 2012 and the consolidating statements of operations and changes in net assets for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 23, 2013

CONSOLIDATED BALANCE SHEETS

June 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,445,223	\$ 2,999,942
Short-term investments - temporarily restricted	236	236
Reserve and escrow accounts	446,617	409,398
Patient accounts receivable		
Self-pay	4,993,852	3,985,450
Third-party payors	12,602,729	11,036,986
Allowance for doubtful accounts	<u>(537,689)</u>	<u>(682,743)</u>
Net patient accounts receivable	<u>17,058,892</u>	<u>14,339,693</u>
Other receivables	1,959,794	3,185,131
Related party receivables	1,616,199	1,408,326
Related party loans receivable	888,825	713,971
Inventories	131,956	143,436
Prepaid expenses	<u>683,895</u>	<u>780,632</u>
Total current assets	<u>28,231,637</u>	<u>23,980,765</u>
Investments		
Unrestricted	22,509,907	19,697,601
Temporarily restricted	3,239,137	3,066,565
Permanently restricted	<u>168,274</u>	<u>159,591</u>
Total investments	<u>25,917,318</u>	<u>22,923,757</u>
Property, plant and equipment, net	78,314,601	78,573,902
Funds held by third parties	1,876,723	2,046,782
Resident funds escrow accounts	1,277,341	1,254,481
Deferred financing costs, net	117,644	143,762
Related party loans receivable	<u>47,110,444</u>	<u>47,999,269</u>
Total assets	<u>\$ 182,845,708</u>	<u>\$ 176,922,718</u>

Continued on next page

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

CONSOLIDATED BALANCE SHEETS - CONTINUED

June 30,

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,738,674	\$ 4,685,140
Accrued salaries	8,644,307	8,106,392
Accrued expenses	7,301,369	4,362,672
Related party payables	842,978	424,765
Deferred revenue	<u>319,879</u>	<u>229,415</u>
Total current liabilities	<u>20,847,207</u>	<u>17,808,384</u>
Resident funds escrow accounts	1,277,341	1,254,481
Loan payable	8,469,984	7,181,119
Mortgage payable	4,960,000	4,960,000
Deferred developers fee	<u>-</u>	<u>630,938</u>
Total liabilities	<u>35,554,532</u>	<u>31,834,922</u>
Net assets		
Unrestricted		
Parent	134,377,063	131,335,303
Non-controlling interest	<u>7,629,742</u>	<u>8,479,319</u>
Total unrestricted	142,006,805	139,814,622
Temporarily restricted	3,239,373	3,066,801
Permanently restricted	<u>2,044,998</u>	<u>2,206,373</u>
Total net assets	<u>147,291,176</u>	<u>145,087,796</u>
Total liabilities and net assets	<u>\$ 182,845,708</u>	<u>\$ 176,922,718</u>

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

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS**

Year ended June 30,

	<u>2013</u>	<u>2012</u>
Change in unrestricted net assets		
Operating revenues		
Net resident revenue, net of contractual allowances	\$ 125,924,014	\$ 123,024,925
Bad debt	<u>(97,332)</u>	<u>(82,376)</u>
Net resident revenue, net of bad debt	125,826,682	122,942,549
Other operating revenue	10,985,405	9,146,333
Net assets released from restrictions	<u>210,748</u>	<u>87,873</u>
Total operating revenues	<u>137,022,835</u>	<u>132,176,755</u>
Operating expenses		
Administration	8,449,195	8,546,086
Auxiliary services	1,212,233	1,181,102
Loan interest and fees	473,330	913,410
CHCS administration	3,630,036	2,814,479
CHCS finance	2,911,711	3,025,688
CHCS community-based services	501,484	590,776
CHCS information technology services	3,394,778	2,511,226
Depreciation and amortization	6,021,256	6,314,198
Dietary	10,388,119	10,463,870
Housekeeping and laundry	4,551,425	4,646,151
Nurse administration	5,797,104	5,826,940
Pastoral care	524,565	544,407
Plant operation and maintenance	8,066,488	8,349,652
Professional care of residents	45,485,498	45,186,910
Recreation	1,808,379	1,827,482
Social services	1,488,124	1,513,328
Therapy services	7,325,561	6,485,041
Fringe benefits	24,132,666	25,427,335
Management agreement expenses	<u>3,452,763</u>	<u>3,733,736</u>
Total operating expenses	<u>139,614,715</u>	<u>139,901,817</u>
Operating loss	<u>(2,591,880)</u>	<u>(7,725,062)</u>

Continued on next page

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

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS - CONTINUED**

Year ended June 30,

	2013	2012
Nonoperating revenues		
Contributions and bequests	\$ 102,942	\$ 1,267,536
Interest and investment income	2,427,217	1,660,087
Realized gain on sale of investments	453,785	3,772,412
Unrealized gains and losses in fair value of investments	1,713,273	(4,001,780)
Change in fair value of interest rate swap	-	(1,082,086)
Net assets released from restrictions	-	900,580
Miscellaneous income	86,846	48,099
	<u>4,784,063</u>	<u>2,564,848</u>
Total nonoperating revenues		
	4,784,063	2,564,848
Excess of (deficiency in) revenues over expenses	2,192,183	(5,160,214)
Deficiency attributable to non-controlling interest	849,577	1,103,585
Excess of (deficiency in) revenues over expenses attributable to parent	3,041,760	(4,056,629)
Other changes in unrestricted net assets		
Change in non-controlling interest	(849,577)	(1,103,585)
Increase (decrease) in unrestricted net assets	2,192,183	(5,160,214)
Change in temporarily restricted net assets		
Interest and investment income	55,027	63,851
Realized gain (loss) on sale of investments	82,002	(57,124)
Unrealized gains (losses) in fair value of investments	243,883	(71,188)
Net assets released from restrictions	(208,340)	(986,281)
Increase (decrease) in temporarily restricted net assets	172,572	(1,050,742)
Change in permanently restricted net assets		
Change in value of permanently restricted funds	(158,967)	526,284
Net assets released from restrictions	(2,408)	(2,172)
(Decrease) increase in permanently restricted net assets	(161,375)	524,112
Increase (decrease) in net assets	2,203,380	(5,686,844)
Net assets		
Beginning of year	145,087,796	150,774,640
End of year	<u>\$ 147,291,176</u>	<u>\$ 145,087,796</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2013	2012
Cash flows from operating activities and gains		
Change in net assets	\$ 2,203,380	\$ (5,686,844)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt	97,332	82,376
Unrealized (gains) losses in fair value of investments	(1,968,248)	3,546,684
Realized gain on sale of investments	(535,787)	(3,715,288)
Depreciation and amortization	6,021,256	6,314,198
Change in fair value of interest rate swap	-	1,082,086
Change in funds held by third parties	170,059	(528,300)
Changes in working capital which provided (or used) cash		
Accounts receivable, net	(2,816,531)	(2,620,513)
Short-term investments	-	1,000,280
Reserve and escrow accounts	(37,219)	9,183
Related party receivables	(207,873)	(1,279,066)
Other receivables	1,225,337	862,174
Inventories	11,480	12,799
Prepaid expenses	96,737	363,658
Accounts payable	(946,466)	296,161
Accrued salaries	537,915	807,496
Accrued expenses	2,938,697	(4,846,407)
Related party payable	418,213	424,765
Deferred revenue	90,464	96,484
Net cash provided by (used in) operating activities before trading securities	7,298,746	(3,778,074)
Change in investments trading securities, net	(489,526)	67,648,642
Net cash provided by operating activities	6,809,220	63,870,568
Cash flows from investing activities		
Capital expenditures	(6,366,775)	(7,359,009)
Payments received on related party loan	713,971	(48,713,240)
Net cash used in investing activities	(5,652,804)	(56,072,249)
Cash flows from financing activities		
Settlement of interest rate swap	-	(2,289,000)
Repayment of long-term debt	-	(10,780,250)
Proceeds from loan	1,288,865	2,880,087
Net cash provided by (used in) financing activities	1,288,865	(10,189,163)
Net increase (decrease) in cash and cash equivalents	2,445,281	(2,390,844)
Cash and cash equivalents		
Beginning of year	2,999,942	5,390,786
End of year	\$ 5,445,223	\$ 2,999,942
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ 314,315

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A - NATURE OF OPERATIONS

Catholic Health Care Services of the Archdiocese of Philadelphia is the sole corporate member of 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, a nonprofit corporation, entered into a partnership joint venture (St. John Neumann Place LP) 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, 2013 and 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 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 accounting principles generally accepted in the United States of America 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. 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 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, 2013 and 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 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, 2013 and 2012.

9. Deferred Financing Costs

As of June 30, 2013, deferred financing costs consist primarily of costs related to the St. John Neumann Place project development, which are amortized over the lives of the various costs, 10-15 years. Amortization expense was \$17,411 and \$108,710 for the years ended June 30, 2013 and 2012, respectively.

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, 2013 and 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 years ended June 30, 2013 and 2012, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the periods from these major payor sources based on primary insurance designation, are as follows:

<u>Net resident revenue</u>	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2013	\$ 94,027,233	\$ 31,896,781	\$ 125,924,014
2012	\$ 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 years ended June 30, 2013 and 2012.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 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, 2012. The assessment program was reauthorized by Act 80 of 2012 through FY 2013-2016. 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 years ended June 30, 2013 and 2012, the net nursing home assessment was \$2,430,310 and \$2,265,741, respectively, 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. Excess of (Deficiency in) Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of (deficiency in) revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of (deficiency in) revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, and change in fair value of funds held by third parties.

NOTE C - 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 years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Charitable services		
Unpaid cost of state programs to the financially disadvantaged (e.g., Medicaid)	\$ 21,403,387	\$ 16,949,130
Unpaid cost of services to other financially disadvantaged persons	<u>751,444</u>	<u>667,697</u>
Total community care at cost	<u>\$ 22,154,831</u>	<u>\$ 17,616,827</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - INVESTMENTS

At June 30, 2013 and 2012, CHCS's investments are summarized and classified as follows:

<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Archdiocese of Philadelphia Non-Pension Assets Portfolio	\$ 19,788,469	\$ 3,239,137	\$ 168,274	\$ 23,195,880
Unemployment insurance fund	<u>2,721,438</u>	<u>-</u>	<u>-</u>	<u>2,721,438</u>
	<u>\$ 22,509,907</u>	<u>\$ 3,239,137</u>	<u>\$ 168,274</u>	<u>\$ 25,917,318</u>
<u>2012</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Archdiocese of Philadelphia Non-Pension Assets 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>

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 of the Archdiocese of Philadelphia.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - INVESTMENTS - Continued

At June 30, 2013 and 2012, CHCS held the following categories of investments within the NPAP:

	2013 <u>Ownership</u>	2012 <u>Ownership</u>
Equity	\$ 17,544,228	\$ 14,287,792
Fixed income	<u>8,373,090</u>	<u>8,635,965</u>
	<u>\$ 25,917,318</u>	<u>\$ 22,923,757</u>

NOTE E - FUNDS HELD BY THIRD PARTIES

CHCS is the beneficiary of individual trusts held in perpetuity by third parties. At June 30, 2013 and 2012, the allocable fair value of these trusts was \$1,876,723 and \$2,046,782, respectively, and is recorded as funds held by third parties in the accompanying consolidated balance sheets. During fiscal year 2013, CHCS recognized unrestricted income of \$63,902 and permanently restricted depreciation of \$170,059 related to these trusts. During fiscal year 2012, CHCS recognized unrestricted income of \$47,791 and permanently restricted appreciation of \$528,300 related to these trusts.

NOTE F - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation at June 30, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Land	\$ 1,650,825	\$ 1,650,825
Land improvements	3,984,034	3,971,474
Buildings and improvements	134,315,470	113,845,256
Furniture and equipment	23,103,603	20,815,182
Construction in progress	<u>617,720</u>	<u>17,747,948</u>
	163,671,652	158,030,685
Accumulated depreciation	<u>(85,357,051)</u>	<u>(79,456,783)</u>
Property, plant and equipment, net	<u>\$ 78,314,601</u>	<u>\$ 78,573,902</u>

Depreciation expense was \$6,003,845 and \$6,205,488 for the years ended June 30, 2013 and 2012, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE G - 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 years ended June 30, 2013 and 2012. The amount expensed by CHCS for contributions to the Plan was \$2,691,701 and \$2,620,206 for the years ended June 30, 2013 and 2012, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

NOTE H - 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, 2013 and 2012. The outstanding balance is due in full upon completion of the construction period, July 1, 2013. On July 1, 2013, the loan will convert to a 25-year loan with required monthly payments of principal and interest. After the construction period for a period of 25 years (July 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, 2013 is \$8,469,984.

Mortgage Payable

St. John Neumann Place LP obtained a loan from the Archdiocese of Philadelphia, 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, December 4, 2036.

The Redevelopment Authority ("RDA"), an agency of the City of Philadelphia, approved a 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 are payable in full on the 30th anniversary of the closing, December 4, 2036.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE I - 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 J - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Residential services	\$ 1,354,623	\$ 1,287,739
Maintenance of the facilities	1,740,011	1,650,653
Acquisition of nursing facilities in South Philadelphia	<u>144,739</u>	<u>128,409</u>
	<u>\$ 3,239,373</u>	<u>\$ 3,066,801</u>

Permanently restricted net assets at June 30, 2013 and 2012 are restricted to:

	<u>2013</u>	<u>2012</u>
Investments to be held in perpetuity, the income from which is expendable to support operations of the organization (reported as other operating income)	\$ 2,044,998	\$ 2,206,373
	<u>\$ 2,044,998</u>	<u>\$ 2,206,373</u>

During 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of residential services and maintenance of the facilities in the amount of \$210,748 and \$988,453, respectively.

NOTE K - ENDOWMENTS

CHCS's endowments consist of donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

For some of the endowments, the donor has directed how the earnings are to be used. When documentation does not provide specific direction, CHCS follows the Commonwealth of Pennsylvania Act 141.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE K - ENDOWMENTS - Continued

1. Interpretation of Relevant Law

In accordance with Commonwealth of Pennsylvania Act 141, and unless directed otherwise by the donor, CHCS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor-gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CHCS in a manner consistent with the standard of prudence prescribed by relevant law. CHCS does not release any portion of the permanently restricted funds. Pennsylvania law permits the Archdiocese of Philadelphia to release a percentage, which is elected annually, of the market value of its endowment funds into unrestricted income. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets.

2. Return Objectives and Risk Parameters

CHCS has adopted investment policies established by the Archdiocese of Philadelphia's Investment Committee and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of plus-3% over the consumer price index while assuming a moderate level of investment risk. CHCS expects their endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from that amount.

3. Spending Policy

In accordance with state law, net realized and unrealized gains on permanently restricted investments are included as temporarily restricted net assets, unless subject to donor restrictions for the corpus. Commonwealth of Pennsylvania law permits CHCS to adopt a spending policy for endowment earnings, subject to certain limitations. CHCS follows the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The Archdiocese of Philadelphia's spending policy for the years ended June 30, 2013 and 2012 allowed for a 3% draw of the three-year average market value of the permanently restricted endowments, unless directed otherwise by the donor.

4. Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. As of June 30, 2013 and 2012, there were no deficiencies of this nature.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE K - ENDOWMENTS - Continued

As of June 30, 2013 and 2012, \$168,274 and \$159,591, respectively, in donor-restricted endowment funds were recorded within permanently restricted net assets.

CHCS had the following endowment activities during the year ended June 30, 2013, delineated by net asset class. All endowment activities were donor-restricted:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,066,565	\$ 159,591	\$ 3,226,156
Investment income	-	233,546	1,725	235,271
Net appreciation (realized and unrealized losses)	-	147,366	9,366	156,732
Total investment return	-	380,912	11,091	392,003
Contributions	-	-	-	-
Distributions	-	(208,340)	(2,408)	(210,748)
Endowment net assets, June 30, 2013	<u>\$ -</u>	<u>\$ 3,239,137</u>	<u>\$ 168,274</u>	<u>\$ 3,407,411</u>

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 does not believe its consolidated financial statements include material uncertain tax positions. As of June 30, 2013, the CHCS tax years ended June 30, 2010 through June 30, 2013 for federal tax jurisdiction remain open to examination.

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, 2013 and 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, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Private pay	29%	27%
Medical Assistance	53%	54%
Medicare	10%	10%
Insurance and other	<u>8%</u>	<u>9%</u>
	<u>100%</u>	<u>100%</u>

NOTE O - RELATED PARTY TRANSACTIONS

Loans 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 loans carry a fixed interest rate of 4% amortized over 30 years maturing on June 1, 2015.

The future principal amounts receivable on the loans at June 30, 2013 are as follows:

2014	\$ 888,825
2015	924,915
Balloon payment receivable June 1, 2015	<u>46,185,529</u>
	<u>\$ 47,999,269</u>

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 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 recorded as revenue or charged to expense for the fiscal years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Revenues		
Management fees	\$ 3,901,393	\$ 1,921,954
Contribution for related party expense	<u>3,452,763</u>	<u>3,733,736</u>
	<u>\$ 7,354,156</u>	<u>\$ 5,655,690</u>
Expenses		
Management fees	\$ 318,034	\$ 550,300
Management agreement expenses	3,452,763	3,733,736
Pension	2,691,701	2,620,206
Insurance	<u>8,256,184</u>	<u>8,398,839</u>
	<u>\$ 14,718,682</u>	<u>\$ 15,303,081</u>

CHCS, as lender, has entered into a loan agreement with the Office of Nutritional Development Services for a revolving line of credit of \$500,000. The terms of the agreement mature June 30, 2016. 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, 2013.

CHCS has receivables from related parties of \$1,616,199 and \$1,408,326 and payables of \$842,978 and \$424,765 at June 30, 2013 and 2012, respectively. Receivables include \$1,384,989 and \$1,261,591 due from Archdiocese of Philadelphia related entities at June 30, 2013 and 2012, respectively. The remaining related party balances are the result of cash management arrangements between CHCS and other related entities.

NOTE P - TRANSFER OF NET ASSETS

During the fiscal year ended June 30, 2013, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

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.

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 investments is estimated using the 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 consolidated balance sheet date.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE Q - FAIR VALUE MEASUREMENTS - Continued

Fair value measurements of investments in entities that calculate NAV per share or its equivalent as of June 30, 2013 are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Archdiocese NPAP (a)	\$ 23,195,880	\$ -	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 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, as they trade infrequently or not at all.

The following tables present the fair values of the investments held by CHCS by level within the fair value hierarchy, as of June 30, 2013 and 2012:

	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total fair value</u>
<u>2013</u>				
Assets				
Archdiocese NPAP	\$ -	\$ 23,195,880	\$ -	\$ 23,195,880
Unemployment insurance fund	2,721,438	-	-	2,721,438
Funds held by third parties	-	-	1,876,723	1,876,723
Total of assets at June 30, 2013	<u>\$ 2,721,438</u>	<u>\$ 23,195,880</u>	<u>\$ 1,876,723</u>	<u>\$ 27,794,041</u>

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE Q - FAIR VALUE MEASUREMENTS - Continued

The table below sets forth a summary of changes in the fair value of CHCS's Level 3 assets for the year ended June 30, 2013:

Balance at beginning of year	\$ 2,046,782
Change in unrealized gains and losses	<u>(170,059)</u>
Balance at end of year	<u>\$ 1,876,723</u>

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2012</u>				
Assets				
Archdiocese NPAP	\$ -	\$ 20,114,081	\$ -	\$ 20,114,081
Unemployment insurance fund	2,809,676	-	-	2,809,676
Funds held by third parties	<u>-</u>	<u>-</u>	<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's 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 years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Health care	\$ 117,921,958	\$ 119,117,638
Housing and community-based services	1,832,095	2,159,445
Administrative	<u>19,860,662</u>	<u>18,624,734</u>
	<u>\$ 139,614,715</u>	<u>\$ 139,901,817</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE S - SUBSEQUENT EVENTS

CHCS evaluated its June 30, 2013 consolidated financial statements for subsequent events through October 23, 2013, 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, except as disclosed below:

On July 1, 2013, St. Monica Manor refinanced its loan with Beneficial Mutual Savings Bank. The new loan is for a term of 25 years with required monthly payments of principal and interest. The new 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 obligation is secured by the grant of security interest in gross revenues and other accounts of St. Monica Manor. CHCS is a guarantor on this loan.

SUPPLEMENTARY INFORMATION

CONSOLIDATING BALANCE SHEET

June 30, 2013

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	\$ 1,269,082	\$ 57,680	\$ 1,350	\$ 209,347	\$ -	\$ 3,824,765	\$ 5,367,269	\$ 77,954	\$ -	\$ 5,445,223
Short-term investments - temporarily restricted		-	-	-	-	-	-	-	-	236	236	-	-	236
Reserve and escrow accounts		-	-	-	-	18,165	-	52,562	-	-	70,727	375,890	-	446,617
Patient accounts receivable		-	-	-	-	-	-	-	-	-	-	-	-	-
Self-pay		1,565,361	634,128	957,258	634,196	921,249	265,512	8,968	71,180	-	4,993,852	-	-	4,993,852
Third-party payors		3,102,133	3,209,986	2,110,976	1,857,840	1,303,994	1,017,800	-	-	-	12,602,729	-	-	12,602,729
Allowance for doubtful accounts		(123,468)	(121,682)	(50,755)	(62,522)	(164,384)	(14,878)	-	-	-	(537,689)	-	-	(537,689)
Net patient accounts receivable		4,544,026	3,722,432	3,017,479	2,429,514	2,060,859	1,268,434	8,968	71,180	-	17,058,892	-	-	17,058,892
Other receivables		107,627	185,358	159,309	117,547	58,318	39,743	1,863	-	1,290,029	1,959,794	-	-	1,959,794
Related party receivables		96,713	46,058	16,358	95,604	25,594	47,468	686,689	99,182	12,096,272	13,209,938	-	(11,593,739)	1,616,199
Due to/from CHCS (entries)		551,179	-	230,576	16,175,004	-	933,145	63,111	-	-	17,953,015	-	(17,953,015)	-
Related party loans receivable		-	-	-	-	-	-	-	-	888,825	888,825	-	-	888,825
Intercompany loans receivable		-	-	22,155	-	19,922	28,324	-	-	233,021	233,021	-	(233,021)	-
Inventories		33,285	28,270	20,273	20,746	24,285	71,262	30,755	-	-	131,956	2,597	-	131,956
Prepaid expenses		31,895	279,623	20,273	20,746	24,285	71,262	30,755	-	202,459	681,298	2,597	-	683,895
Total current assets		5,367,425	4,263,041	3,467,195	20,107,497	2,264,823	2,389,726	1,053,295	106,562	18,555,607	57,554,971	456,441	(29,779,775)	28,231,637
Investments														
Unrestricted		-	-	-	-	8,002,217	-	-	-	14,507,690	22,509,907	-	-	22,509,907
Temporarily restricted		1,354,623	1,740,011	-	-	-	-	-	-	144,503	3,239,137	-	-	3,239,137
Permanently restricted		-	168,274	-	-	-	-	-	-	-	168,274	-	-	168,274
Total investments		1,354,623	1,908,285	-	-	8,002,217	-	-	-	14,652,193	25,917,318	-	-	25,917,318
Property, plant and equipment, net		6,375,732	11,871,172	3,815,257	22,909,792	6,325,469	4,273,186	6,900,076	2,095	1,547,452	64,020,231	14,294,370	-	78,314,601
Funds held by third parties		-	-	-	-	132,159	-	-	-	-	1,876,723	-	-	1,876,723
Resident funds escrow accounts		-	-	-	-	30,003	45,049	339,995	-	-	1,235,800	41,541	-	1,277,341
Deferred financing costs, net		187,522	240,868	241,503	150,860	-	-	-	-	-	47,110,444	117,644	-	117,644
Related party loans receivable		-	-	-	-	-	-	-	-	47,110,444	47,110,444	-	-	47,110,444
Intercompany loan receivable		-	-	-	-	-	-	-	-	12,350,816	12,350,816	-	(12,350,816)	-
Total assets		\$ 13,285,302	\$ 19,887,040	\$ 7,664,845	\$ 43,108,149	\$ 16,754,671	\$ 6,707,961	\$ 8,293,366	\$ 108,457	\$ 94,196,512	\$ 210,066,303	\$ 14,909,996	\$ (42,130,591)	\$ 182,845,708
LIABILITIES AND NET ASSETS														
Current liabilities														
Accounts payable		\$ 667,344	\$ 635,707	\$ 642,520	\$ 574,459	\$ 416,145	\$ 456,196	\$ 111,798	\$ -	\$ 228,752	\$ 3,312,921	\$ 5,753	\$ -	\$ 3,738,674
Accrued salaries		1,607,438	1,674,654	1,500,026	650,030	955,996	799,831	229,922	-	1,226,410	8,644,307	-	-	8,644,307
Accrued expenses		587,406	528,276	418,870	2,723,171	347,485	198,121	86,039	-	139,040	5,028,409	2,272,960	-	7,301,569
Related party payables		348,588	321,230	251,855	9,186,851	186,533	160,611	234,637	696,739	1,046,673	12,436,717	-	(11,593,739)	842,978
Due to/from CHCS (entries)		2,156,542	1,103,173	647,924	-	259,990	774,966	-	-	13,010,420	17,953,015	-	(17,953,015)	-
Deferred revenue		107	-	6,000	-	98,674	-	206,598	-	8,500	319,879	-	-	319,879
Intercompany loan payable		-	-	-	-	-	-	233,021	-	-	233,021	-	(233,021)	-
Total current liabilities		5,367,425	4,263,040	3,467,195	13,137,511	2,264,823	2,389,726	1,102,015	696,739	15,659,795	48,348,269	2,278,713	(29,779,775)	20,847,207
Resident funds escrow accounts		187,522	240,868	241,503	150,860	30,003	45,049	339,995	-	-	1,235,800	41,541	-	1,277,341
Bond payable		-	-	-	-	-	-	-	-	-	8,469,984	-	-	8,469,984
Loan payable		-	-	-	-	-	-	12,350,816	-	-	12,350,816	-	(12,350,816)	-
Intercompany loan payable		-	-	-	-	-	-	-	-	-	4,960,000	-	-	4,960,000
Mortgage payable		-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred developers fee		-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities		5,554,947	4,503,908	3,708,698	21,758,355	2,294,826	2,434,775	13,792,826	696,739	15,659,795	70,404,869	7,280,254	(42,130,591)	35,554,532
Net assets														
Unrestricted		6,375,732	11,871,172	3,815,257	21,409,794	14,327,686	4,273,186	(5,499,460)	(588,282)	78,391,978	134,377,063	-	-	134,377,063
Parent		-	-	-	-	-	-	-	-	-	7,629,742	-	-	7,629,742
Non-controlling interest		-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted		6,375,732	11,871,172	3,815,257	21,409,794	14,327,686	4,273,186	(5,499,460)	(588,282)	78,391,978	134,377,063	-	-	142,006,805
Temporarily restricted		1,354,623	1,740,011	140,890	-	132,159	-	-	-	144,739	2,044,998	-	-	3,239,373
Permanently restricted		-	1,771,949	140,890	-	-	-	-	-	-	-	-	-	2,044,998
Total net assets		7,730,355	15,383,132	3,956,147	21,409,794	14,459,845	4,273,186	(5,499,460)	(588,282)	78,536,717	139,661,454	7,629,742	-	147,291,176
Total liabilities and net assets		\$ 13,285,302	\$ 19,887,040	\$ 7,664,845	\$ 43,108,149	\$ 16,754,671	\$ 6,707,961	\$ 8,293,366	\$ 108,457	\$ 94,196,512	\$ 210,066,303	\$ 14,909,996	\$ (42,130,591)	\$ 182,845,708

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 Pottsville	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
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	7,029	-	-	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	1,190,938	-	-	-	11,036,986	-	-	11,036,986
Allowance for doubtful accounts	(104,091)	(3,007,706)	(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	7,029	-	-	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 receivables	104,239	116,453	76,966	243,481	49,893	50,629	401,845	1,312	12,738,138	13,782,956	-	(12,374,630)	1,408,526
Due to/from CHCS (entities)	842,102	617,510	758,201	13,528,582	635,379	554,667	196,493	-	-	17,132,934	-	(17,132,934)	-
Related party loans receivable	-	-	-	-	-	-	-	-	713,971	713,971	-	-	713,971
Intercompany loans receivable	39,882	30,899	21,669	-	32,113	18,873	-	-	244,568	244,568	-	(244,568)	-
Inventories	26,573	271,570	213,817	126,061	21,071	35,287	27,467	-	59,186	143,436	-	-	143,436
Prepaid expenses	-	-	-	-	-	-	-	-	-	780,632	-	-	780,632
Total current assets	3,745,071	5,083,318	3,593,131	18,569,853	2,743,488	1,945,962	825,810	1,312	16,842,679	53,350,624	382,273	(29,752,132)	23,980,765
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	12,272,366	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	-	-	-	-	-	-	-	-	47,999,269	47,999,269	-	-	47,999,269
Related party loans receivable	-	-	-	-	-	-	-	-	12,526,449	12,526,449	-	(12,526,449)	-
Intercompany loan receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 12,326,081	\$ 21,285,210	\$ 8,185,711	\$ 38,385,591	\$ 17,036,443	\$ 6,344,333	\$ 8,207,049	\$ 4,480	\$ 91,538,037	\$ 203,312,935	\$ 15,888,364	\$ (42,278,581)	\$ 176,922,718
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	8,102,912	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
Related party payables	518,248	637,892	430,649	9,305,792	307,519	220,678	147,696	348,427	882,494	12,799,395	-	(12,374,630)	424,765
Due to/from CHCS (entities)	499,160	1,804,258	923,228	-	761,937	452,985	-	-	12,691,366	17,132,934	-	(17,132,934)	-
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	3,745,071	5,083,318	3,593,131	11,388,734	2,743,488	1,945,962	925,350	348,427	16,003,647	45,771,128	1,783,388	(29,752,132)	17,808,384
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	-	-	-	-	-	-	-	-	-	-	-	-	-
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	3,914,799	5,316,591	3,826,119	18,738,665	2,765,835	1,981,734	13,898,641	348,427	16,003,647	66,704,458	7,409,045	(42,278,581)	31,834,922
Net assets													
Unrestricted	7,123,543	12,272,366	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
Parent	-	-	-	-	-	-	-	-	-	-	8,479,319	-	8,479,319
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted	7,123,543	12,272,366	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	-	-	-	-	-	-	-	3,066,801	-	-	3,066,801
Permanently restricted	-	1,945,600	137,165	-	123,608	-	-	-	128,409	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	\$ 12,326,081	\$ 21,285,210	\$ 8,185,711	\$ 38,385,591	\$ 17,036,443	\$ 6,344,333	\$ 8,207,049	\$ 4,480	\$ 91,538,037	\$ 203,312,935	\$ 15,888,364	\$ (42,278,581)	\$ 176,922,718

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 2013

	Inmaculate 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	\$ 28,254,958	\$ 26,445,121	\$ 20,167,702	\$ 17,811,918	\$ 15,488,414	\$ 12,017,720	\$ 5,257,147	\$ -	\$ -	\$ 125,442,980	\$ 481,034	\$ -	\$ 125,924,014
Net resident revenue, net of contractual allowances	(78,372)	(50,469)	10,000	53,023	(29,674)	(2,045)	(395)	-	-	(97,332)	-	-	(97,332)
Bad debt													
Net resident revenue, net of bad debt	28,176,586	26,394,652	20,177,702	17,865,941	15,458,740	12,015,675	5,256,752	-	-	125,345,648	481,034	-	125,826,682
Other operating revenue	867,818	636,270	791,575	182,835	584,667	310,605	9,678	26,133	13,834,238	17,243,819	-	(6,258,414)	10,985,405
Net assets released from restrictions	89,165	121,585	-	-	-	-	-	-	-	200,748	-	-	210,748
Total operating revenues	29,133,569	27,152,505	20,969,277	18,048,776	16,043,407	12,326,280	5,266,430	26,133	13,834,238	145,800,215	481,034	(6,258,414)	137,022,835
Operating expenses													
Administration	2,595,145	2,931,774	2,310,722	1,970,425	2,145,040	1,457,166	1,054,926	28,066	-	14,493,264	214,345	(6,258,414)	8,449,195
Auxiliary services	331,545	167,996	398,020	98,017	136,297	52,013	28,345	-	-	1,212,233	473,330	(507,512)	1,212,233
Loan interest and fees	-	-	-	-	-	-	507,512	-	-	507,512	-	-	473,330
CHCS administration	-	-	-	-	-	-	-	-	3,630,036	3,630,036	-	-	3,630,036
CHCS finance	-	-	-	-	-	-	-	-	2,911,711	2,911,711	-	-	2,911,711
CHCS community-based services	-	-	-	-	-	-	-	240,183	3,394,778	3,394,778	-	-	501,484
CHCS information technology services	-	-	-	-	-	-	-	2,219	332,827	332,827	-	-	3,394,778
Depreciation and amortization	1,037,079	1,270,543	661,234	593,693	777,103	463,908	429,195	2,219	-	5,567,601	453,655	-	6,021,256
Housekeeping and laundry	2,114,474	1,979,688	1,682,997	1,394,814	1,560,633	1,004,069	651,444	-	-	10,588,119	-	-	10,588,119
Nurse administration	978,448	914,018	812,863	685,843	526,782	466,274	167,197	-	-	4,551,425	-	-	4,551,425
Pastoral care	1,226,388	1,270,698	76,615	956,677	680,269	654,156	160	-	-	5,797,104	-	-	5,797,104
Plant operation and maintenance	132,716	177,234	76,615	41,074	99,548	90,814	6,564	-	-	524,565	-	-	524,565
Professional care of residents	1,438,077	1,477,394	1,220,720	912,097	1,341,136	895,931	648,486	-	-	7,939,841	126,447	-	8,066,488
Recreation	10,082,618	10,130,881	7,620,108	6,896,327	5,115,447	4,699,733	940,184	-	-	45,485,498	-	-	45,485,498
Social services	377,929	334,316	302,630	230,480	280,321	170,285	111,205	-	-	1,808,379	-	-	1,808,379
Therapy services	319,423	344,436	242,193	216,539	128,440	173,945	114	-	-	1,425,490	62,034	-	1,488,124
Fringe benefits	1,486,383	1,391,118	1,157,512	1,600,573	828,109	861,866	623,834	-	-	7,325,561	-	-	7,325,561
Management agreement expenses	5,682,881	5,065,436	4,136,411	3,210,690	3,031,275	2,382,139	-	-	-	24,132,666	-	-	24,132,666
Total operating expenses	27,803,106	27,355,332	21,636,783	18,807,849	16,651,611	13,372,299	5,169,166	270,468	13,883,416	145,050,030	1,330,611	(6,258,414)	139,014,715
Operating income (loss)	1,330,463	(202,827)	(667,506)	(759,473)	(608,204)	(1,046,019)	97,264	(244,335)	(149,178)	(2,249,815)	(849,577)	-	(2,291,880)
Nonoperating revenues													
Contributions and bequests	26,795	20,340	14,725	7,041	11,019	22,549	827	-	473	102,942	-	-	102,942
Interest and investment income	57	52,669	7,310	6,501	134,810	28	-	-	2,732,527	2,934,729	-	(507,512)	2,427,217
Realized gain on sale of investments	-	-	-	-	157,126	-	-	-	296,659	453,785	-	-	453,785
Unrealized gains and losses in fair value of investments	-	-	-	-	610,454	-	-	-	1,102,819	1,713,273	-	-	1,713,273
Change in fair value of interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	51,416	-	7,725	1,916	20,864	884	4,041	-	-	86,846	-	-	86,846
Total nonoperating revenues	78,268	73,009	29,760	15,458	934,273	23,461	4,868	-	4,132,478	5,291,575	-	(507,512)	4,784,063
Excess of (deficiency in) revenues over expenses	1,408,731	(129,818)	(637,746)	(744,015)	326,069	(1,022,558)	102,132	(244,335)	3,983,300	3,041,760	(849,577)	-	2,192,183
Deficiency attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess of (deficiency in) revenues over expenses attributable to parent	1,408,731	(129,818)	(637,746)	(744,015)	326,069	(1,022,558)	102,132	(244,335)	3,983,300	3,041,760	-	-	3,041,760
Other changes in unrestricted net assets													
Change in non-controlling interest	(2,156,542)	(371,376)	230,576	2,506,881	(145,383)	933,145	-	-	-	-	-	(849,577)	(849,577)
Affiliate transfers	(747,811)	(501,194)	(407,170)	1,762,866	180,686	(89,413)	102,132	(244,335)	2,985,999	3,041,760	(849,577)	-	2,192,183
(Decrease) increase in unrestricted net assets													
Change in temporarily restricted net assets													
Interest and investment income	22,483	30,014	-	-	-	-	-	-	2,530	55,027	-	-	55,027
Realized gain on sale of investments	35,926	45,520	-	-	-	-	-	-	2,556	82,002	-	-	82,002
Unrealized gains and losses in fair value of investments	99,640	132,989	-	-	-	-	-	-	11,244	243,883	-	-	243,883
Net assets released from restrictions	(87,165)	(119,175)	-	-	-	-	-	-	-	(208,340)	-	-	(208,340)
Increase in temporarily restricted net assets	66,884	89,358	-	-	-	-	-	-	16,330	172,572	-	-	172,572
Change in permanently restricted net assets													
Change in value of permanently restricted funds	-	(171,243)	3,725	-	8,551	-	-	-	-	(158,967)	-	-	(158,967)
Net assets released from restrictions	-	(2,408)	-	-	-	-	-	-	-	(2,408)	-	-	(2,408)
(Decrease) increase in permanently restricted net assets													
(Decrease) increase in net assets	(680,927)	(585,487)	(403,445)	1,762,866	189,237	(89,413)	102,132	(244,335)	3,002,329	3,052,957	(849,577)	-	2,203,380
Net assets													
Beginning of year	8,411,282	15,968,619	4,359,592	19,646,926	14,270,608	4,362,599	(5,601,592)	(343,347)	75,534,390	136,608,477	8,479,319	-	145,087,796
End of year	\$ 7,730,355	\$ 15,383,132	\$ 3,956,147	\$ 21,409,792	\$ 14,459,845	\$ 4,273,186	\$ (5,499,460)	\$ (588,382)	\$ 78,536,719	\$ 139,661,434	\$ 7,629,742	\$ -	\$ 147,291,176

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	\$ 27,692,524	\$ 25,744,790	\$ 19,898,590	\$ 16,865,394	\$ 14,866,485	\$ 12,396,719	\$ 5,095,399	\$ -	-	\$ 122,559,841	\$ 465,084	\$ -	\$ 123,024,925
Net resident revenue, net of contractual allowances	(23,385)	(39,660)	-	-	(12,377)	(31,700)	(3,236)	-	-	(82,176)	-	-	(82,376)
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	132,776,755
Operating expenses													
Administration	2,813,635	3,052,855	2,458,256	2,002,479	2,204,142	1,457,572	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	45,503	25,205	-	-	1,181,102	395,683	-	1,181,102
Bond interest and fees	-	-	-	-	-	-	517,727	-	-	517,727	-	-	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	-	-	-	-	-	-	-	-	246,216	590,776	-	-	590,776
CHCS information technology services	-	-	-	-	-	-	-	-	2,511,226	2,511,226	-	-	2,511,226
Depreciation and amortization	1,029,837	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	1,451,773	1,556,958	1,026,984	629,482	-	-	10,463,870	-	-	10,463,870
Housekeeping and laundry	1,026,852	887,264	810,287	722,153	862,262	480,635	156,378	-	-	4,646,151	-	-	5,826,940
Nurse administration	1,284,159	1,189,919	1,041,894	908,435	723,458	680,085	-	-	-	5,826,940	-	-	5,826,940
Pastoral care	119,773	75,563	102,974	39,355	112,869	86,531	7,202	-	-	544,407	-	-	544,407
Plant operation and maintenance	1,551,325	1,621,774	1,213,254	1,055,500	1,355,500	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	161,671	107,458	-	-	1,827,482	-	-	1,827,482
Social services	307,548	316,070	231,703	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	21,976,482	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	(113,277)	(1,342,498)	(1,348,336)	(963,159)	(1,399,459)	(893,677)	(99,420)	(343,947)	(1,117,708)	(6,621,477)	(1,103,585)	-	(7,725,062)
Nonoperating revenues													
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)	-	-	-	3,772,412	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	-	-	-	-	-	-	900,580	-	-	900,580
Miscellaneous income	19,398	-	7,039	1,995	16,485	1,197	1,985	-	-	48,099	-	-	48,099
Total nonoperating revenues	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 revenues 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)
Deficiency attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
(Deficiency in) excess of revenues over expenses attributable to parent	(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)	-	(4,056,629)
Other changes in unrestricted net assets													
Change in non-controlling interest	(499,160)	617,510	798,201	3,599,419	635,379	554,667	-	-	(5,666,016)	-	-	-	-
Affiliate transfers	(554,856)	(598,269)	(598,068)	3,618,807	(872,715)	(322,480)	(1,178,640)	(343,947)	(3,296,470)	(4,056,629)	(1,103,585)	-	(5,160,214)
(Decrease) increase in unrestricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	(62,540)	-	-	-	-	-	-	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)	-	-	-
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)	-	79,702,957	141,191,736	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	\$ 136,608,477	\$ 8,479,310	\$ -	\$ 145,087,796