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BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and Consolidating Schedules

August 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries (the System), which comprise the consolidated balance sheets as of August 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 Bon Secours Health System, Inc. and its subsidiaries as of August 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 28, 2014

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

August 31, 2014 and 2013

(In thousands)

Assets		**2014**	**2013**
Current assets:			
Cash and cash equivalents	$	143,625	194,888
Accounts receivable, net:			
Patient and third-party payors		463,345	443,332
Other		35,645	41,470
Total accounts receivable, net		498,990	484,802
Assets limited or restricted as to use		61,433	65,505
Inventories		59,090	61,075
Prepaid expenses and other current assets		40,679	30,410
Total current assets		803,817	836,680
Assets limited or restricted as to use, less current portion		1,089,334	984,188
Property, plant, and equipment, net		1,159,977	1,093,253
Goodwill and other assets, net		336,053	332,265
Total assets	$	3,389,181	3,246,386
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	28,602	31,423
Accounts payable		199,878	188,750
Accrued salaries, wages, and benefits		159,647	146,878
Other accrued expenses		111,822	122,602
Total current liabilities		499,949	489,653
Long-term debt, less current portion		957,512	989,761
Other long-term liabilities and deferred credits		607,946	586,719
Total liabilities		2,065,407	2,066,133
Net assets:			
Unrestricted-controlling interest		1,028,084	901,618
Unrestricted-noncontrolling interest		241,773	222,053
Total unrestricted		1,269,857	1,123,671
Temporarily restricted		46,088	48,872
Permanently restricted		7,829	7,710
Total net assets		1,323,774	1,180,253
Total liabilities and net assets	$	3,389,181	3,246,386

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended August 31, 2014 and 2013

(In thousands)

		2014	2013
Revenues:			
Net patient service revenue before bad debts	$	3,584,441	3,440,175
Provision for patient bad debts, net		(255,931)	(216,295)
Net patient service revenue		3,328,510	3,223,880
Other revenue		133,335	133,530
Total revenues		3,461,845	3,357,410
Expenses:			
Salaries, wages, and benefits		1,790,641	1,717,273
Supplies		576,569	565,830
Purchased services and other		804,786	777,634
Depreciation and amortization		131,723	135,366
Interest		34,553	37,386
Total expenses		3,338,272	3,233,489
Operating income from continuing operations		123,573	123,921
Nonoperating gains (losses), net:			
Nonoperating investment gains, net		85,702	95,730
Loss on early retirement of debt		(194)	(8,328)
Gain on sale of assets, net		324	33
Other nonoperating activities, net		(34,558)	(42,206)
Excess of continuing revenues over expenses		174,847	169,150
(Loss) gain on discontinued operations, net		(1,105)	1,700
Excess of revenues over expenses		173,742	170,850
Other changes in unrestricted net assets:			
Grants for capital		4,005	6,081
Net change in unrealized losses on other-than-trading securities		(598)	(1,881)
Net assets released from restrictions used for purchase of property, plant, and equipment		6,980	910
Net change in equity of joint ventures		778	986
Distributions to noncontrolling interest owners		(7,679)	(6,671)
Pension and other postretirement adjustments		(21,208)	171,318
Transfers to affiliates and other changes, net		(9,834)	(7,545)
Increase in unrestricted net assets		146,186	334,048
Unrestricted net assets, beginning of year		1,123,671	789,623
Unrestricted net assets, end of year	$	1,269,857	1,123,671

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2014 and 2013

(In thousands)

		Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2012	$	789,623	45,849	8,044	843,516
Excess of revenues over expenses		170,850	—	—	170,850
Grants and restricted contributions		—	9,847	(346)	9,501
Grants for capital		6,081	—	—	6,081
Net change in unrealized gains (losses) on other-than-trading securities		(1,881)	525	12	(1,344)
Investment income		—	204	—	204
Net assets released from restrictions used for purchase of property, plant, and equipment		910	(910)	—	—
Net assets released from restrictions used for operations		—	(5,913)	—	(5,913)
Net change in equity of joint ventures		986	—	—	986
Distributions to noncontrolling interest owners		(6,671)	—	—	(6,671)
Pension and other postretirement adjustments		171,318	—	—	171,318
Transfers to affiliates and other changes, net		(7,545)	(730)	—	(8,275)
Increase (decrease) in net assets		334,048	3,023	(334)	336,737
Balance at August 31, 2013		1,123,671	48,872	7,710	1,180,253
Excess of revenues over expenses		173,742	—	—	173,742
Grants and restricted contributions		—	10,853	156	11,009
Grants for capital		4,005	—	—	4,005
Net change in unrealized gains (losses) on other-than-trading securities		(598)	1,296	4	702
Investment income		—	152	—	152
Net assets released from restrictions used for purchase of property, plant, and equipment		6,980	(6,980)	—	—
Net assets released from restrictions used for operations		—	(7,869)	—	(7,869)
Net change in equity of joint ventures		778	—	—	778
Distributions to noncontrolling interest owners		(7,679)	—	—	(7,679)
Pension and other postretirement adjustments		(21,208)	—	—	(21,208)
Transfers to affiliates and other changes, net		(9,834)	(236)	(41)	(10,111)
Increase (decrease) in net assets		146,186	(2,784)	119	143,521
Balance at August 31, 2014	$	1,269,857	46,088	7,829	1,323,774

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended August 31, 2014 and 2013

(In thousands)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	$ 143,521	336,737
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss (gain) on discontinued operations, net	1,105	(1,700)
Provision for bad debts, net	255,931	216,295
Depreciation and amortization, including $6,135 and $4,204 reported in nonoperating activities, net in 2014 and 2013, respectively	137,858	139,570
Amortization of deferred financing costs and bond premium/discount, net	(831)	(96)
Equity in income of joint ventures	(31,097)	(48,640)
Distributions received from investments in joint ventures	45,386	23,417
Net realized/unrealized gains on certain investments and derivative instruments	(93,558)	(89,815)
Loss on early retirement of debt	194	8,328
Gain on sale of assets	(324)	(33)
Gain on sales of joint ventures	(12,046)	—
Unrealized gains on investment in joint venture	(7,071)	—
Pension and other postretirement adjustments	21,208	(171,318)
Grants received for capital expenditures	(4,005)	(6,081)
Contributions restricted by donor	(11,009)	(9,501)
Cash distributions to noncontrolling interest owners and affiliates	13,818	6,671
Cash (used in) provided by changes in assets and liabilities:		
Increase in accounts receivable	(270,119)	(258,055)
Increase in inventories, prepaid expenses and other current assets	(8,284)	(5,070)
(Increase) decrease in goodwill and other assets, net	(1,589)	2,401
Increase in accounts payable and other current liabilities	11,851	26,077
(Decrease) increase in other long-term liabilities and deferred credits	(519)	33,832
Net cash provided by operating activities	190,420	203,019
Cash flows from investing activities:		
Investment in joint ventures	(13,490)	(3,816)
Proceeds from sales of joint ventures	13,725	—
Proceeds from sales of securities, net of purchases	33,499	171,738
Purchases of alternative investments and equity and fixed income commingled funds	(71,644)	(177,873)
Proceeds from sale of equity and fixed income commingled funds	43,700	40,000
Property, plant, and equipment additions, net of disposals	(202,567)	(131,098)
Payments related to interest rate swaps	(12,533)	(14,195)
Net cash used in investing activities	(209,310)	(115,244)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	26,900	395,522
Payments of long-term debt	(29,736)	(33,896)
Retirements of long-term debt	(30,320)	(397,632)
Payment of deferred financing fees	(413)	(4,573)
Grants received for capital expenditures	4,005	6,081
Proceeds from contributions restricted by donors	11,009	9,501
Cash distributions to noncontrolling interest owners and affiliates	(13,818)	(6,671)
Net cash used in financing activities	(32,373)	(31,668)
Net (decrease) increase in cash and cash equivalents	(51,263)	56,107
Cash and cash equivalents, beginning of year	194,888	138,781
Cash and cash equivalents, end of year	$ 143,625	194,888

Supplemental disclosures:
(a) Cash paid for taxes was $773 and $706 for 2014 and 2013, respectively.
(b) Entered into a capital lease of $3,500 in 2013 (none in 2014).

See accompanying notes to consolidated financial statements.

(1) Organization and Mission

(a) Organizational Structure

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

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

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

(b) Mission

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

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

(c) Community Benefits

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

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

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

(i) Charitable Services – Financially Disadvantaged Persons

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

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

(ii) Charitable Services – State Programs

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

(iii) Other Community Benefits

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

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

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

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are computed by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The cost of these services is as follows for the years ended August 31, 2014 and 2013:

		2014	2013
Charitable services and other community benefits:			
Cost of services to financially disadvantaged persons	$	156,932	151,066
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons		86,795	84,383
Cost of other community benefits		57,656	60,560
Total community benefits, at cost	$	301,383	296,009

(2) Significant Accounting Policies

(a) Principles of Consolidation

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

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the years ended August 31, 2014 and 2013, the System recorded income of $9,878 and $8,891, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

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

(d) Accounts Receivable, net

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

The respective percentages of amounts due from patients and third-party payors at August 31, 2014 and 2013 are as follows:

	2014	2013
Medicare	25%	24%
Medicaid	10	9
Commercial and managed care	43	42
Other, including self-pay	22	25
	100%	100%

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

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

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

Unrealized gains or losses on trading securities are included in nonoperating investment gains, net. As of August 31, 2014 and 2013, all investments and assets limited or restricted as to use are designated as trading securities, except for certain foundation investments and trustee held funds, which are designated as other than trading securities.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2014 and 2013, respectively. All other investment income is reported within nonoperating investment gains, net.

(f) Inventories

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

(g) Property, Plant, and Equipment, net

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

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

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

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

(h) Asset Impairment

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

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2014 and 2013, respectively.

(i) Goodwill and Other Assets, Net

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

Goodwill is assessed annually for impairment at the reporting unit. The System first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two step goodwill impairment tests as described in Topic 350. The more–likely–than–not threshold is defined as having a likelihood of more than 50%. The System determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the System concluded that goodwill was not impaired as of August 31, 2014 and 2013 without having to perform the two-step impairment test.

Goodwill and other assets, net, consist of the following at August 31, 2014 and 2013:

		2014	2013
Goodwill, net of accumulated amortization of $50,873	$	98,359	98,359
Investment in joint ventures (note 12)		151,777	141,838
Self insurance receivable		20,876	28,727
Other assets		25,714	26,690
Pledges and notes receivable		29,038	25,659
Deferred financing costs, net		10,289	10,992
Total goodwill and other assets, net	$	336,053	332,265

(j) Deferred Financing Costs, Net

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to $7,138 and $6,055 at August 31, 2014 and 2013, respectively.

(k) Leases

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

(l) Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consist of the following at August 31, 2014 and 2013:

		2014	2013
Accrued pension liability (note 9)	$	314,225	290,227
Self-insurance liabilities		147,966	147,479
Environmental liabilities		14,657	14,234
Derivative instrument valuations (note 7)		62,986	62,398
Medical office building liabilities (note 13(e))		35,321	35,321
Other long-term liabilities		32,791	37,060
	$	607,946	586,719

(m) Donor-Restricted Gifts

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

(n) Net Assets

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of $46,088 and $48,872 at August 31, 2014 and 2013, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Approximately 60% of the temporarily restricted net assets will be expended for capital with the remaining 40% for operating purposes. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) Fair Values

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

(p) Net Patient Service Revenue

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

(q) Other Revenue

Other revenue includes income from equity investments in joint ventures (note 12), gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for

Economic and Clinical Health Act (HITECH) Stimulus Grants), assisted living, capitated payments from insurance companies, earnings on funds held by bond trustees and cafeteria and meal sales. The System, using the grant model for Meaningful Use incentive payments, recorded approximately $18,600 and $22,500 of revenues related to Medicare's and Medicaid's incentive payments for certain entities meeting the criteria for electronic health records during the years ended August 31, 2014 and 2013, respectively (note 11).

(r) Other Nonoperating Activities, Net

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

(s) Performance Indicator

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

(t) Discontinued Operations

The System accounts for discontinued operations under relevant accounting guidance, which requires that a component of an entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component of an entity has been disposed of or classified as held-for-sale, the results of operations for prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations. The System recognized loss on discontinued operations of $1,105 for the year ended August 31, 2014 and gain of $1,700 for the year ended August 31, 2013, as the result of adjustments to certain liabilities for final settlements associated with the System's formerly discontinued operations.

(u) Income Taxes

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately $61,513 and $66,681 of net operating loss carryforwards as of August 31, 2014 and 2013, respectively, which expire in varying periods through 2034 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2014 and 2013. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

(v) Derivative Instruments

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

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

(w) Self-Insurance

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

(x) Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal year 2018. The System expects to record a decrease in net patient service revenue and a corresponding decrease in bad debt expense upon adoption of the standard.

(y) Reclassifications

Certain reclassifications were made to 2013 amounts to conform to the 2014 presentation.

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2014 and 2013:

		2014	2013
Land	$	80,984	83,426
Land improvements		47,496	47,378
Buildings		1,043,696	965,847
Fixed equipment		80,255	79,240
Major movable equipment		1,332,717	1,183,387
Leasehold improvements		88,250	83,755
Construction in progress		56,847	90,021
		2,730,245	2,533,054
Less accumulated depreciation		1,570,268	1,439,801
	$	1,159,977	1,093,253

Included in construction in progress at August 31, 2014 are costs mainly associated with new facility construction, and other facility renovations and expansion. Included in construction in progress at August 31, 2013 are costs mainly associated with an electronic medical records project, and facility renovations and expansion. The System anticipates expending an additional $77,228 in future periods to complete strategic capital projects. Depreciation expense for the System was $136,167 and $137,859 for the years ended August 31, 2014 and 2013, respectively.

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2014 and 2013:

		2014	2013
Board-designated funds:			
Cash and cash equivalents	$	59,740	65,277
Equity mutual funds		58,501	49,020
Equity commingled funds		50,951	42,932
Common and preferred stocks		221,496	206,934
Fixed income mutual funds		111,359	100,813
Fixed income commingled funds		122,375	98,005
U.S. government and agency securities		17,374	14,532
Corporate obligations		15,966	12,829
Alternative investments		338,914	302,434
Land and other investments, at cost		39	152
	$	996,715	892,928

(Continued)

	2014	2013
Donor-restricted funds:		
Cash and cash equivalents	$ 14,807	17,016
Equity mutual funds	2,387	1,904
Equity commingled funds	658	559
Common and preferred stocks	7,935	7,649
Fixed income mutual funds	2,142	2,716
Fixed income commingled funds	1,580	1,275
U.S. government and agency securities	812	579
Corporate obligations	1,337	2,016
Alternative investments	4,377	4,027
Land and other investments, at cost	24	297
	36,059	38,038
Funds held by indenture trustees:		
Cash and cash equivalents	7,456	9,289
Government and agency bonds	7,067	7,784
Corporate obligations	1,348	554
	15,871	17,627
Self-insurance funds:		
Cash and cash equivalents	7,375	14,765
Equity commingled funds	23,139	18,827
Common and preferred stocks	11,448	14,704
Fixed income mutual funds	24,778	20,312
Fixed income commingled funds	24,286	23,202
Alternative investments	11,096	9,290
	102,122	101,100
Assets limited or restricted as to use	1,150,767	1,049,693
Available for current liabilities	(61,433)	(65,505)
Long-term assets limited or restricted as to use	$ 1,089,334	984,188

(Continued)

The portion of the System's assets limited or restricted as to use available for current liabilities consists of the following at August 31, 2014 and 2013:

		2014	2013
Current portion of debt	$	—	1,885
Self-insurance programs		43,965	45,082
Foundation programs		12,877	13,173
Board-designated		4,591	5,365
	$	61,433	65,505

The System's consolidated total return on assets limited or restricted as to use consists of the following for the years ended August 31, 2014 and 2013:

		2014	2013
Dividends and interest	$	7,663	14,960
Net realized gains on securities		36,088	67,818
Net unrealized gains on securities		70,541	4,276
		114,292	87,054
Realized and unrealized (losses) gains on derivative instruments		(13,071)	17,721
	$	101,221	104,775

Total return on assets limited or restricted as to use is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2014 and 2013:

		2014	2013
Nonoperating investment gains, net	$	85,702	95,730
Investment income, net on self insurance and trustee-held funds recorded as other revenue		14,665	10,185
Investment income and net unrealized gains on securities in restricted net assets		1,452	741
Net unrealized losses on other-than-trading securities		(598)	(1,881)
Total return on assets limited or restricted as to use	$	101,221	104,775

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

At August 31, 2014 and 2013, the System had invested approximately $354,387 and $315,751, or 30.8% and 30.1%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds, real estate investment funds and long/short equity funds.

(5) Fair Value of Financial Instruments

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

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain equity mutual funds, corporate-debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

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

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

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows,

(Continued)

and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

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

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

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

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

(Continued)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2014:

	Fair value	Fair value measurements at August 31, 2014 using		
		Level 1	**Level 2**	**Level 3**
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 89,378	89,378	—	—
Equity mutual funds	60,888	60,888	—	—
Equity commingled funds	74,748	—	74,748	—
Common and preferred stocks	240,879	240,879	—	—
Fixed income mutual funds	138,279	138,279	—	—
Fixed income commingled funds	148,241	—	148,241	—
Government and agency bonds	25,253	22,169	3,084	—
Corporate obligations	18,651	1,763	16,888	—
Assets limited or restricted as to use	$ 796,317	553,356	242,961	—
Liabilities:				
Interest rate swaps	$ 62,986	—	62,986	—
Total liabilities	$ 62,986	—	62,986	—

(Continued)

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

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

There were no significant transfers between Levels 1, 2 and 3 during the year ended August 31, 2014 and 2013.

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

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

The System had no activity in Level 3 assets during the year ended August 31, 2014.

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2014 and 2013, management believes that its investment positions are in accordance with the guidelines in the IPS.

(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2014 and 2013:

		2014	2013
Master Trust Notes and Hospital Revenue Bonds:			
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027; interest at 5.93%	$	61,043	61,043
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018; interest at 6.38% to 6.50%		16,050	19,480
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%		9,210	10,455
Series 1997 New York fixed rate serial and term bonds payable in installments through July 2027; interest at 5.00% to 5.50%		—	30,320
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a fifteen day put provision; interest at 0.07% and 0.09% at August 31, 2014 and 2013, set at prevailing rates		4,250	4,250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a fifteen day put provision; interest at 0.05% and 0.09% at August 31, 2014 and 2013, set at prevailing rates		11,975	12,700
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042; interest at 4.50 to 5.25% at August 31, 2014 and 2013.		173,355	173,355
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 0.05% and 0.07% at August 31, 2014 and 2013, set at prevailing rates		69,925	69,925

		2014	2013
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.05% and 0.06% at August 31, 2014 and 2013, set at prevailing rates	$	106,955	110,860
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.07% and 0.06% at August 31, 2014 and 2013, set at prevailing rates		22,105	23,590
Series 2011 variable rate direct placement bonds payable in installments through November 2025 ; interest at 1.4% at August 31, 2014 and 2013, set at prevailing rates		62,900	67,600
Series 2013 Kentucky fixed rate serial and term bonds payable in installments beginning November 2015 through November 2026; interest at 4.0% to 5.0%		39,075	39,075
Series 2013 South Carolina fixed rate serial bonds payable in installments beginning November 2015 through November 2029; interest at 3.75% to 5.0%		184,870	184,870
Series 2013 Virginia fixed rate serial bonds payable in installments beginning November 2016 through November 2030; interest at 4.0% to 5.0%		78,245	78,245
Series 2013B variable rate direct placement bonds payable in installments through November 2043; interest at 1.1% to 1.3% at August 31, 2014 and 1.2% to 1.3% at August 31, 2013, set at prevailing rates		59,420	67,245
Series 2013 New York variable rate term loan payable in installments beginning November 2016 through November 2020; interest at 1.0%		26,900	—
Total Master Trust Notes and Hospital Revenue Bonds		926,278	953,013

		2014	2013
Other debt secured by certain property, plant, and equipment:			
9.25% note payable to HUD, due April 2025	$	5,931	6,244
3.00% note payable to Wells Fargo		900	1,075
Capital leases obligations (interest at 5.00-6.00%)		5,587	9,005
Notes payable		24,179	26,694
Other debt		97	97
Total other debt		36,694	43,115
Total debt		962,972	996,128
Add bond premium, net of accumulated amortization		23,142	25,056
		986,114	1,021,184
Less current portion		28,602	31,423
Long-term debt, less current portion	$	957,512	989,761

Master Notes have been issued by BSHSI on behalf of itself and certain affiliates who collectively constitute the Members of an Obligated Group created by a Second Amended and Restated Master Trust Indenture dated as of March 12, 2014, as restated, supplemented, and amended. Master Notes secure payment of principal and interest on various series of serial and term indebtedness issued for the benefit of the Members of the Obligated Group by various governmental issuers as well as the performance of certain agreements entered into with credit enhancers, liquidity providers, swap counterparties and certain banks, which have purchased indebtedness issued for the benefit of the Obligated Group. Each Master Note is a joint and several obligation of each Member of the Obligated Group and is secured by a pledge of such Member's unrestricted receivables. Approximately 37.3% and 40.0% of the indebtedness secured by Master Notes was supported, as to payments of principal and interest, by bond insurance policies as of August 31, 2014 and 2013, respectively. Approximately 30.0% and 21.1% of the indebtedness secured by the Master Notes was supported by letters of credit as of August 31, 2014 and 2013, respectively. Certain amounts of the indebtedness supported by letters of credit are also supported by bond insurance policies.

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

The Series 2002 Bonds, the Series 2008A Bonds and the Series 2008D Bonds are subject to optional tender by the bondholders, and in certain events, mandatory tender. Tendered bonds which are remarketed will be purchased by a bank pursuant to a related letter of credit. No principal payments are due the bank with respect to such purchased Bonds until at least 367 days after the purchase date.

The Obligated Group has delivered letters of credit as additional security for the Series 2002 and 2008A Bonds. Pursuant to each letter of credit, the bank covenants to pay principal of and interest on the related series of Bonds. An existing bond insurance policy with respect to each series of such bonds will only pay principal of and interest on the related series of Bonds if the bank fails to pay pursuant to the letter of credit. The bank can, under certain circumstances, cause the cancellation of each bond insurance policy. The Obligated Group must repay the principal amount of the purchased Series 2002 Bonds and Series 2008A Bonds beginning on the 367th day after the purchase date in ten substantially equal semiannual installments (or if the bond insurance policy has been canceled, in six substantially equal semiannual installments). The Obligated Group must repay the principal amount of the purchased Series 2008D Bonds (x) pursuant to one of the letter of credit agreements, in eight substantially equal semiannual installments commencing on the first business day following the 367th day after the purchase date and (y) pursuant to two of the letter of credit agreements, in eight substantially equal quarterly installments commencing on the first March 31, June 30, September 30 or December 31 occurring at least eighteen months following the date the bank purchases the related bonds.

BSHSI issued separate Master Notes to secure its obligations to reimburse the various letter of credit banks. The letters of credit which secure the Series 2002 Bonds, the Series 2008A Bonds and the Series 2008D Bonds have stated expiration dates, which range from November 2015 to January 2018. BSHSI has historically been able to request and receive extensions of the stated expiration dates.

The Series 2011 Bonds and the Series 2013B Bonds (as hereinafter defined) were each purchased by a financial institution for a stated term less than the maturity of such bonds.

On December 8, 2011, the Economic Development Authority of the City of Norfolk issued $72,500 principal amount of its revenue bonds (referred to as the Series 2011 Bonds) and loaned the proceeds thereof to BSHSI. The Series 2011 Bonds have a final maturity of November 15, 2025 and were purchased by a financial institution (referred to as the Series 2011 Direct Purchase Bank) for an initial term of ten years. During the initial term, the Series 2011 Bonds bear interest based on a percentage of LIBOR plus an agreed–upon spread. Following the expiration of the initial term, BSHSI may determine to seek an extension of the initial term, convert the interest rate mode on the Series 2011 Bonds or otherwise refinance the Series 2011 Bonds. Payment of the Series 2011 Bonds is secured by a Master Note issued under the Master Indenture. In connection with the issuance of the Series 2011 Bonds, the Obligated Group entered into a covenant agreement with the Series 2011 Direct Purchase Bank, which contains various covenants that can be enforced or waived solely by the Series 2011 Direct Purchase Bank. Those covenants are similar to the covenants that BSHSI has provided to various other banks and insurance companies, which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness. The obligations of the Obligated Group under the covenant agreement are secured by a Master Note.

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

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

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

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and directly controlled by BSHSI, but is not a member of the BSHSI Obligated Group. On November 21, 2013, Schervier borrowed $26,900 million (referred to as the 2013 Term Loan) from a financial institution through a taxable term loan. The proceeds of the 2013 Term Loan, together with $4.5 million of existing debt service reserve funds, were used to defease certain Series 1997 fixed rate bonds (referred to as the Schervier Bonds) issued by the Dormitory Authority of the State of New York (referred to as DASNY) that were outstanding in the principal amount $30,320. Schervier's scheduled payment obligations under the Schervier Bonds were secured by a Master Note. Schervier's scheduled payment obligations under the 2013 Term Loan are guaranteed by the Members of the Obligated Group pursuant to a guaranty agreement with U.S. Bank (the Schervier Guaranty). The Schervier Guaranty does not guarantee payment of principal or interest on the 2013 Term Loan upon an acceleration of the due date thereof by reason of an event of default under the agreement governing the 2013 Term Loan. In the event of any such acceleration, payments under the Schervier Guaranty will be required to be made only in such amounts and at such times as such payments would have been due had there been no acceleration of the 2013 Term Loan. The Schervier Guaranty is secured by a Master Note. In connection with the defeasance, BSHSI incurred a loss on extinguishment of debt of approximately $200. Scheduled principal repayments on long-term debt are as follows:

2015	$	28,580
2016		44,305
2017		30,199
2018		34,997
2019		42,401
Thereafter		782,490
Total	$	962,972

In May 2014, BSHSI executed a $100,000 revolving credit agreement with a five year term with a commercial bank (the Credit Agreement). Pursuant to the Credit Agreement, BSHSI, as Credit Group Representative, may either request loans or request that the bank issue letters of credit for the benefit of the Obligated Group. The proceeds of any such loan and any such letter of credit are available for general corporate purposes. As of August 31, 2014, no loans have been made under the Credit Agreement. The obligations of the Obligated Group under the Credit Agreement are secured by a Master Note.

The System has entered into four leases maturing from 2019-2024 that are classified as capital leases for building and equipment. In addition, the System consolidates two limited liability corporations that own medical office buildings with notes payable outstanding of $23,919 and $25,857 as of August 31, 2014 and 2013, respectively. Such notes have an interest rate of 7.75% and maturity dates in 2021.

Total interest expense was $34,553 and $37,386 for the years ended August 31, 2014 and 2013, respectively. Cash paid for interest was $36,516 and $40,313 for the years ended August 31, 2014 and 2013, respectively, and includes capitalized interest for construction projects of $1,798 and $2,080, net of investment income, for the years ended August 31, 2014 and 2013, respectively.

(7) Interest Rate Risk Management

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

At August 31, 2014 and 2013, the System had eleven instruments, respectively, which did not qualify for hedge accounting treatment under ASC Topic 815. Fair value changes of these instruments were reported under nonoperating investment gains, net. The following is a summary of the derivative instruments in place at August 31, 2014:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted at August 31, 2014	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 38,580	3.448%	Nov-2025	$ —	Goldman Sachs	$ (4,542)	10,000
Fixed payer	1	57,870	3.491%	Nov-2025	—	Deutsche Bank	(6,952)	20,000
Fixed payer	2	109,775	4.460%/3.420%	Aug-2026/Nov-2028	—	Merrill Lynch	(17,723)	*
Fixed payer	2	113,000	4.485%/3.384%	Oct-2025/Oct-2026	4,698	JP Morgan	(19,626)	15,000
Fixed payer	1	69,925	3.454%	Nov-2042	—	PNC Bank	(15,924)	*
	7	389,150			4,698		(64,767)	
Fixed basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	1,806	20,000
Variable basis	3	460,500	SIFMA	Nov-2029	—	Merrill Lynch	(4,828)	*
Total derivatives	11	$ 1,049,650			$ 4,698		(67,789)	$ 65,000
						Valuation adjustments	4,803	
							$ (62,986)	

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

The following is a summary of the derivative instruments in place at August 31, 2013:

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

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

The unrealized losses of $588 and unrealized gains of $31,916 for the years ended August 31, 2014 and 2013, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains, net in the accompanying consolidated statements of operations.

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

(8) Noncontrolling Interest

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2014 and 2013:

		Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2012	$	608,843	180,780	789,623
Excess of revenues over expenses		126,413	44,437	170,850
Grants for capital		6,081	—	6,081
Net change in unrealized losses on other than trading securities		(1,881)	—	(1,881)
Net assets released from restrictions used for purchase of property, plant, and equipment		910	—	910
Net change in equity of joint ventures		986	—	986
Distributions to noncontrolling interest owners		—	(6,671)	(6,671)
Pension and other postretirement adjustments		170,423	895	171,318
Purchase of ownership interest from noncontrolling interest owners		1,718	(1,718)	—
Transfers to affiliates and other changes, net		(11,875)	4,330	(7,545)
Increase in net assets		292,775	41,273	334,048
Balance as of August 31, 2013		901,618	222,053	1,123,671

		Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Excess of revenues over expenses	$	146,504	27,238	173,742
Grants for capital		4,005	—	4,005
Net change in unrealized losses on other than trading securities		(598)	—	(598)
Net assets released from restrictions used for purchase of property, plant, and equipment		6,980	—	6,980
Net change in equity of joint ventures		778	—	778
Distributions to noncontrolling interest owners		—	(7,679)	(7,679)
Pension and other postretirement adjustments		(21,208)	—	(21,208)
Transfers to affiliates and other changes, net		(9,995)	161	(9,834)
Increase in net assets		126,466	19,720	146,186
Balance as of August 31, 2014	$	1,028,084	241,773	1,269,857

(9) Pension Plan

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

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

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

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2014 and 2013. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

	Amounts in unrestricted net assets at August 31, 2014	Amounts in unrestricted net assets at August 31, 2013	Amounts in unrestricted net assets to be recognized in fiscal year 2015
Net prior service cost	$ 48	153	(10)
Net actuarial losses	216,084	194,540	17,299
Transition asset	—	(7)	—
Total	$ 216,132	194,686	17,289

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans as of and for the years ended August 31, 2014 and 2013 are as follows:

	2014	2013
Change in projected benefit obligation:		
Net projected benefit obligation at beginning of year	$ 850,444	943,395
Service cost	18,553	22,896
Interest cost	43,154	37,697
Actuarial loss (gain)	100,359	(120,179)
Gross benefits paid	(32,570)	(33,365)
Projected benefit obligation at end of year	979,940	850,444

		2014	2013
Change in plan assets:			
Fair value of plan assets at beginning of year	$	560,217	496,857
Actual return on plan assets		108,710	59,385
Employer contributions		29,358	37,340
Gross benefits paid		(32,570)	(33,365)
Fair value of plan assets at end of year		665,715	560,217
Net amount recognized at end of year	$	(314,225)	(290,227)

		2014	2013
Accumulated benefit obligation at end of year	$	933,159	810,979
Amounts recognized in the consolidated balance sheets consist of:			
Accrued benefit costs – long term	$	(314,225)	(290,227)
Components of net periodic benefit cost:			
Service cost	$	18,553	22,896
Interest cost		43,154	37,697
Expected return on plan assets		(41,041)	(36,788)
Amortization of:			
Actuarial loss		11,146	28,759
Prior service cost		105	213
Transition asset		(7)	(7)
Total net periodic benefit costs	$	31,910	52,770

	2014	2013
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	4.30%	5.10%
Rate of compensation increase	3.00	3.00
Weighted average assumptions used to determine net periodic benefit cost at August 31:		
Discount rate	5.10%	4.00%
Expected return on plan assets	7.80	7.80
Rate of compensation increase	3.00	3.00

(Continued)

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

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

The System's pension plan asset allocation is planned to include approximately 65% equities, 25% fixed income/cash, and 10% alternatives. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. As of August 31, 2014 and 2013, the pension plan assets were allocated by asset category as follows:

	2014	2013
Asset category:		
Equity mutual and commingled funds and securities	63%	67%
Fixed income mutual funds and securities	25	23
Alternative investments	9	9
Cash	3	1
Total	100%	100%

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2014:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 23,258	23,258	—	—
Equity mutual funds	7,447	7,447	—	—
Equity commingled funds	75,491	—	75,491	—
Common and preferred stocks	335,016	333,862	1,154	—
Fixed income mutual funds	56,584	56,584	—	—
Government and agency bonds	18,026	43	17,983	—
Corporate obligations	90,954	—	90,954	—
Alternative investments	58,939	—	—	58,939
Total investments	$ 665,715	421,194	185,582	58,939

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

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

During the year ended August 31, 2014, the System transferred approximately $30 million of Level 1 fixed income assets to Level 2 due to a change in investment strategy in the pension assets. During the year ended August 31, 2013, there were no significant transfers between Levels 1, 2 and 3.

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

	Level 3 assets Corporate bonds	Alternative investments	Total
Ending balance August 31, 2012	$ 788	43,577	44,365
Total net gains realized	26	780	806
Total net (losses) gains unrealized	(23)	3,860	3,837
Sales	(791)	—	(791)
Ending balance August 31, 2013	—	48,217	48,217
Total net gains realized	—	442	442
Total net gains unrealized	—	3,080	3,080
Purchases	—	7,200	7,200
Ending balance August 31, 2014	$ —	58,939	58,939

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

The following summarizes the redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of August 31, 2014:

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

The System expects to contribute $21,073 to its pension plans in fiscal year 2015.

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

2015	$	49,059
2016		37,772
2017		40,057
2018		42,230
2019		45,193
2020–2024		269,133

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 6% of compensation under certain defined contribution plans. The System contributed $36,571 and $34,297 towards these plans during the years ended August 31, 2014 and 2013, respectively. Total expense was $40,875 and $33,604 in 2014 and 2013, respectively.

In addition to the retirement plan described above, other postretirement healthcare benefits are provided to certain qualified retirees who meet certain eligibility requirements. The net obligation recognized in the accompanying consolidated balance sheets at August 31, 2014 and 2013 is $3,038 and $2,765, respectively.

Multi-Employer Plans

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

(a) Archdiocesan Plan

The Archdiocesan Plan is a noncontributory, multi-employer defined benefit plan, which covers substantially all of Bon Secours New York Health System (BSNYHS) and Bon Secours Charity Health System's (BSCHS) full-time nonunion employees. The Employer Identification Number is 13-3089351. The Archdiocesan Plan is a Church plan approved by the Internal Revenue Service and is exempt from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the Archdiocesan Plan are based on actuarial valuations. The contributions of all participating employers are pooled. As of January 1, 2013, the Archdiocesan Plan's market value of assets is $1,022,056 and the present value of accrued plan benefits is $1,339,498 resulting in a funded status of 76.3%. Contributions to the Archdiocesan Plan were $3,419 and $3,349 for the years ended August 31, 2014 and 2013, respectively.

(b) 1199 SEIU Health Care Employees Pension Fund

The System contributes to a multi-employer defined benefit plan under the terms of a collective bargaining agreement for its 1199 SEIU employees. The Employer Identification Number is 13-3604862/001. The most recent available information on the Pension Protection Act (PPA) zone status is for the plan years ended December 31, 2012 and 2011. The zone status is based on information that the System received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. Based on this information, the zone status was green for the plan years ended December 31, 2012 and 2011, respectively.

The expiration date of the collective bargaining agreements requiring contributions to the plan are October 31, 2015 for service and maintenance units and December 31, 2015 for nursing units. The contributions by the System to the union pension fund were $10,504 and $10,013 for the years ended August 31, 2014 and 2013, respectively. There have been no significant changes that affect the comparability of 2014 and 2013 contributions. The System was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than 5% of the total contributions to the plan for the years ended December 31, 2012 and 2011.

(10) Net Patient Service Revenue

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

Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

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

The activity in the allowance for uncollectible accounts is summarized as follows for the years ended August 31, 2014 and 2013:

		2014	2013
Beginning balance	$	140,588	158,540
Provision for bad debts		255,931	216,295
Write-offs		(251,381)	(234,247)
Ending balance	$	145,138	140,588

(11) Reimbursement Programs

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

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

Since 2005, the Centers for Medicare and Medicaid Services (CMS) have utilized recovery audit contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. To date, all System hospitals have had certain Medicare claims denied, and all have a diligent appeal process. While additional RAC assessments against the System are anticipated, the impact of such assessments is still unknown. The resumption of the RAC program reviews has been delayed until after September 30, 2014 when the bid of new contractors is complete. There will be no additional audits of claims before this date.

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

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

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

Two specific programs were enacted by CMS in 2011 that impacted the reimbursement for the System during the fiscal year ended August 31, 2014 and 2013. The first is value-based purchasing, which affects acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments were made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. For Federal fiscal year 2013 and 2014 respectively, 1% and 1.25% of a hospital's inpatient Medicare reimbursement was at risk/available in this program for either a penalty or a bonus depending on performance as measured with the rest of the hospitals in the country. Percentages considered at risk will increase an additional 0.25% each Federal fiscal year, with 2% of a hospital's inpatient Medicare reimbursement being at risk by Federal fiscal year 2017. In addition, components of valuable based purchasing are changed and/or expanded each Federal fiscal year and include new measures, performance periods, performance standards, and domain weighting. The System's hospitals are currently measuring quality indicators consistent with the CMS value-based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

The second program is the readmission reduction program that also began with federal fiscal year 2013 and is a penalty-only based program based on a hospital's actual readmissions for three specific costly diagnoses compared to an expected readmission rate. Effective for discharges beginning on October 1, 2012, the CMS's Hospital Readmissions Reduction Program withheld up to 1% of regular reimbursements for hospitals that had excess patient readmissions within 30 days of discharge for three medical conditions: heart attack, heart failure and pneumonia. As a part of healthcare reform legislation, the maximum penalty increased to 2% for federal fiscal year 2014 and will increase to 3% by 2015 and be expanded to include readmissions for other medical conditions.

Another program enacted by CMS is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrate "meaningful use" of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and EP's that do not achieve meaningful use of EHR. During the year ended August 31, 2014, the System qualified for Medicare EHR incentive payments of approximately $15,000 and Medicaid EHR incentive payments of $3,600. During the year ended August 31, 2013, the System qualified for Medicare EHR incentive payments of approximately $16,000 and Medicaid EHR incentive payments of $6,500. BSHSI has made a substantial investment in a qualified EHR. The System expects to qualify providers for Medicaid payments in all states where the State Medicaid Health Information Technology Plan has been submitted to and are approved by CMS.

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

On August 2, 2013, CMS published the "Two Midnight" rule. This rule establishes the basis of determining a patient's stay as inpatient or outpatient. If a patient stays more than two midnights from the hour the service began then the stay is classified as inpatient. If the time is less than two midnights then it will be classified as outpatient or observation time. This rule is expected to result in decreased payments to hospitals nation-wide. The rule became effective October 1, 2014 but Recovery Audit Contractors (referred to as RACs) utilized by CMS may not begin to audit claims until March 31, 2015. It is unknown at this time what the impact may be to the System.

Beginning October 1, 2013, the Affordable Care Act (ACA) amended the adjustment provision for hospital Medicare disproportionate share (DSH) payments. Hospitals which qualified for DSH payments will now receive twenty five percent of what would have been received under the historical statutory formula and will receive an additional payment for uncompensated care. The uncompensated care payment will be announced in the annual rulemaking process, and it is expected to decrease annually relative to the growing percentage of newly insured individuals. The amount the System reserves against expected DSH payments will be updated when the uncompensated care payment is published in the final regulations.

(Continued)

(12) Investments in Joint Ventures

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

(a) Roper St. Francis Healthcare – South Carolina

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

The System recorded income of $5,967 and $12,694 related to its equity interest for the years ended August 31, 2014 and 2013, respectively. Included in these amounts were the System's allocated share of investment gains of $5,773 and $5,409 for the years ended August 31, 2014 and 2013, respectively. In addition, adjustments of $778 and $986 were recorded as net change in equity of joint ventures in 2014 and 2013, respectively, to reflect the System's 27% interest in the net assets of this joint venture. The System received cash distributions of $8,556 and $6,284 related to its equity interest during the years ended August 31, 2014 and 2013, respectively.

The total assets, total liabilities, and net assets as of August 31, 2014 and 2013 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

		2014	2013
Total assets	$	861,020	873,931
Total liabilities		486,733	496,321
Net assets		374,287	377,610
Total revenue		772,468	741,287
Total expenses		756,442	727,944
Investment gains, net		21,384	33,670
Change in unrestricted net assets		(6,699)	27,414

In June 2009, Roper St. Francis Healthcare received state approval for the construction of a new 50-bed full service hospital located in Berkeley County, South Carolina. The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility. These capital construction projects will be financed through Roper St. Francis

Healthcare's equity. A portion of the annual distributions are expected to be foregone during the construction period.

(b) Sentara Princess Anne

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

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

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

The System recorded income of $5,014 and $6,532 and received cash distributions of $5,742 and $0 related to its equity interest during the years ended August 31, 2014 and 2013, respectively.

The total assets, total liabilities, and net assets as of August 31, 2014 and 2013 and the total revenue, total expenses, and change in unrestricted net assets for the years then ended, for Sentara Princess Anne Hospital are as follows:

		2014	2013
Total assets	$	263,647	266,553
Total liabilities		168,449	169,690
Net assets		95,198	96,863
Total revenue		203,959	195,397
Total expenses		186,939	175,484
Change in unrestricted net assets		(1,666)	19,914

(c) Rappahannock General Hospital

In December 2011, Bon Secours – Richmond Health System (referred to as BSRHS) entered into an affiliation agreement with Chesapeake Health Services (referred to as CHS) and Chesapeake Hospital Corporation, a Virginia not-for-profit, nonstock corporation d/b/a Rappahannock General Hospital (referred to as RGH), pursuant to which BSRHS became a minority member of RGH, committed to certain capital contributions to RGH, and agreed to work with RGH to improve healthcare services in the service area served by RGH. RGH operates a 76 bed hospital in Kilmarnock, Virginia. Since 2011, BSRHS has made additional capital contributions to RGH and has made its ConnectCare system available to an affiliate of RGH.

(Continued)

BSHSI accounts for its interest in RGH under the cost method. The System contributed cash of $2,005 and $3,816 related to its cost method investment in RGH during the years ended August 31, 2014 and 2013, respectively. As a result of these transactions, BSRHS's minority membership was approximately 41% and 29% as of August 31, 2014 and 2013, respectively.

On October 3, 2014, BSRHS, CHS and RGH entered into a definitive agreement for the acquisition by BSRHS of the remaining membership interest in RGH. Subject to regulatory approvals, the parties expect the closing of the transaction to occur during the second fiscal quarter of 2015.

(d) Premier Purchasing Partners, LP

BSHSI holds an equity investment in Premier Purchasing Partners, LP (Premier LP), a group purchasing organization, in which BSHSI is a limited partner. The System recorded income of $7,027 and $8,376 in other operating revenue related to its equity interest and revenue share for the years ended August 31, 2014 and 2013, respectively. On October 1, 2013, Premier LP sold 16% of its equity as part of an organizational restructuring and an initial public offering of shares in its affiliate, Premier, Inc. As a result of this restructuring and related public offering, the System received a cash distribution of $9,700, which resulted in a net gain of $9,056 that was recognized in other operating revenue. In addition, during the fiscal year ended August 31, 2014, BSHSI recorded reductions to operating supply expenses of $7,071 resulting from the unrealized gains related to the System's vesting of its interests in Premier, LP.

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

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

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately $111,639 and $117,742 at August 31, 2014 and 2013, respectively. The current portion of such accruals, $17,713 at August 31, 2014 and $18,333 at August 31, 2013, is included in other accrued expenses, and the remainder, $93,926 at August 31, 2014 and $99,409 at August 31, 2013, is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of $60,428 and $53,492, of which the current portion, $8,100 and $7,600 at August 31, 2014 and 2013, respectively, is reported as other accrued expenses and the remainder, $52,328 and $45,892 at August 31, 2014 and 2013, respectively, is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2014 and 2013, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments such amounts are undiscounted and based upon an actuarial central estimate. The impact of the change in discount rate was not significant to the consolidated financial statements.

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $19,621 and $18,011, include estimates for claims incurred but not reported, at August 31, 2014 and 2013, respectively.

(d) Litigation

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

(e) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was $81,340 and $82,491 in 2014 and 2013, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2015	$	54,708
2016		39,642
2017		31,092
2018		25,546
2019		20,569
Thereafter		33,855

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of $35,321 at August 31, 2014 and 2013, are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above.

(f) Guaranty Agreements

Affiliates of the System entered into nine limited partnership agreements during the period from 1997 through 2014. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2014, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. Seven such guaranty agreements are still in effect as of August 31, 2014. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2014. The maximum potential amount of future payments the System affiliates are obligated to make was $12,864 and $6,419 as of August 31, 2014 and 2013, respectively.

(14) Net Assets

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

The System's endowment net assets are comprised of permanently restricted funds, which were $7,829 and $7,710 at August 31, 2014 and 2013, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at August 31, 2014 and 2013.

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

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

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

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2014 and 2013 is as follows:

	2014	2013
Healthcare services	$ 3,027,535	2,935,985
General and administrative	310,737	297,504
Total expenses	$ 3,338,272	3,233,489

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2014 and through October 28, 2014. The System did not have any material recognizable subsequent events during this period other than disclosed in note 12(c).

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Index to Consolidating Information

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

Independent Auditors' Report on Supplementary Information

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

We have audited the consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries as of and for the years ended August 31, 2014, and have issued our report thereon dated on October 28, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 28, 2014

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

		Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours Charity Health System, Inc.	Bon Secours St. Petersburg Health System
Assets									
Current assets:									
Cash and cash equivalents	$	362	8,184	467,903	377,043	39,754	1,090	2,399	2,965
Accounts receivable, net:									
Patient and third-party payors		19,616	92,913	166,484	84,788	20,381	5,451	70,378	3,335
Other		1,491	4,126	10,937	6,263	1,653	281	5,520	72
Total accounts receivable, net		21,107	97,039	177,421	91,051	22,034	5,732	75,898	3,407
Assets limited or restricted as to use		119	5,831	7,123	289	-	3,226	518	361
Inventories		1,315	13,765	18,758	14,087	3,584	121	7,356	103
Prepaid expenses and other current assets		1,310	4,319	12,838	5,967	3,539	254	3,744	226
Total current assets		24,213	129,138	684,043	488,437	68,911	10,423	89,915	7,062
Assets limited or restricted as to use, less current portion		19,452	154,528	403,271	27,046	12,146	207	7,920	-
Property, plant and equipment, net		32,360	137,383	351,046	183,901	49,003	24,436	117,112	11,433
Goodwill and other assets, net		7,840	70,438	53,559	107,863	9,282	5,405	63,002	3,924
Total assets	$	83,865	491,487	1,491,919	807,247	139,342	40,471	277,949	22,419
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt		465	1,896	7,387	-	-	3,342	1,041	-
Accounts payable		11,396	33,404	58,728	30,202	8,279	2,400	22,707	1,100
Accrued salaries, wages and benefits		5,247	22,079	47,857	20,793	5,375	3,085	22,046	1,093
Other accrued expenses		5,866	5,646	17,534	6,216	2,295	348	9,384	432
Due to (from) affiliate		(346)	(441)	(1,505)	(1,029)	(461)	(301)	(2,054)	205
Total current liabilities		22,628	62,584	130,001	56,182	15,488	8,874	53,124	2,830
Long-term debt, less current portion		2,015	24,846	52,301	-	-	29,489	78,935	-
Other long-term liabilities and deferred credits		27,314	53,029	229,424	28,532	47,718	11,458	72,255	5,040
Due to (from) affiliate, less current portion		111,970	40,185	231,231	505,548	61,007	13,036	157,968	15,158
Total liabilities		163,927	180,644	642,957	590,262	124,213	62,857	362,282	23,028
Net assets:									
Unrestricted-controlling interest		(80,843)	208,060	679,763	211,189	12,228	(23,319)	(88,671)	(1,527)
Unrestricted-noncontrolling interest		-	95,497	144,019	924	-	-	-	552
Total unrestricted		(80,843)	303,557	823,782	212,113	12,228	(23,319)	(88,671)	(975)
Temporarily restricted		781	5,777	21,282	4,389	1,577	933	3,723	366
Permanently restricted		-	1,509	3,898	483	1,324	-	615	-
Total net assets		(80,062)	310,843	848,962	216,985	15,129	(22,386)	(84,333)	(609)
Total liabilities and net assets	$	83,865	491,487	1,491,919	807,247	139,342	40,471	277,949	22,419

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Associates, LLC	Shannon MOB Partnership	BSB Health MOB Partnership	Bon Secours Good HelpCare, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$ -	1,287	1,619	(1,887)	-	-	(757,094)	143,625	194,888
Accounts receivable, net:									
Patient and third-party payors	-	-	-	-	-	-	(1)	463,345	443,332
Other	-	475	532	-	-	12,898	(8,603)	35,645	41,470
Total accounts receivable, net	-	475	532	-	-	12,898	(8,604)	498,990	484,802
Assets limited or restricted as to use	-	-	-	-	14,790	29,174	2	61,433	65,505
Inventories	-	-	-	-	-	-	1	59,090	61,075
Prepaid expenses and other current assets	-	-	-	1	11,336	10,944	(13,799)	40,679	30,410
Total current assets	-	1,762	2,151	(1,886)	26,126	53,016	(779,494)	803,817	836,680
Assets limited or restricted as to use, less current portion	-	-	-	-	87,086	264,434	113,244	1,089,334	984,188
Property, plant and equipment, net	-	3,032	950	-	-	242,480	6,841	1,159,977	1,093,253
Goodwill and other assets, net	1,720	19,728	11,939	-	8,030	193,270	(219,947)	336,053	332,265
Total assets	$ 1,720	24,522	15,040	(1,886)	121,242	753,200	(879,356)	3,389,181	3,246,386
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt	-	1,438	738	-	-	12,295	-	28,602	31,423
Accounts payable	-	1,450	2,194	3,400	-	33,136	(8,518)	199,878	188,750
Accrued salaries, wages and benefits	-	-	-	-	-	32,073	(1)	159,647	146,878
Other accrued expenses	-	-	-	208	26,126	51,564	(13,797)	111,822	122,602
Due to (from) affiliate	-	-	-	-	-	6,030	(98)	-	-
Total current liabilities	-	2,888	2,932	3,608	26,126	135,098	(22,414)	499,949	489,653
Long-term debt, less current portion	-	13,247	8,496	-	-	824,692	(76,509)	957,512	989,761
Other long-term liabilities and deferred credits	-	-	2,094	-	95,116	228,516	(192,550)	607,946	586,719
Due to (from) affiliate, less current portion	-	3,578	-	-	-	(497,191)	(642,490)	-	-
Total liabilities	-	19,713	13,522	3,608	121,242	691,115	(933,963)	2,065,407	2,066,133
Net assets:									
Unrestricted-controlling interest	1,720	4,809	737	(5,494)	-	54,825	54,607	1,028,084	901,618
Unrestricted-noncontrolling interest	-	-	781	-	-	-	-	241,773	222,053
Total unrestricted	1,720	4,809	1,518	(5,494)	-	54,825	54,607	1,269,857	1,123,671
Temporarily restricted	-	-	-	-	-	7,260	-	46,088	48,872
Permanently restricted	-	-	-	-	-	-	-	7,829	7,710
Total net assets	1,720	4,809	1,518	(5,494)	-	62,085	54,607	1,323,774	1,180,253
Total liabilities and net assets	$ 1,720	24,522	15,040	(1,886)	121,242	753,200	(879,356)	3,389,181	3,246,386

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	Bon Secours of Maryland Foundation	Bon Secours Baltimore Health System Foundation	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ (87,321)	1,795	(1,505)	87,393	362	281
Accounts receivable, net:						
Patient and third-party payors	19,616	-	-	-	19,616	18,155
Other	1,104	374	42	(29)	1,491	1,642
Total accounts receivable, net	20,720	374	42	(29)	21,107	19,797
				-		
Assets limited or restricted as to use	-	119	-	-	119	221
Inventories	1,315	-	-	-	1,315	1,414
Prepaid expenses and other current assets	1,308	3,402	-	(3,400)	1,310	1,329
Total current assets	(63,978)	5,690	(1,463)	83,964	24,213	23,042
				-		
Assets limited or restricted as to use, less current portion	12,086	39	7,328	(1)	19,452	17,641
Property, plant and equipment, net	30,777	38,728	-	(37,145)	32,360	30,209
Goodwill and other assets, net	6,264	1,359	-	217	7,840	8,315
Total assets	$ (14,851)	45,816	5,865	47,035	83,865	79,207
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	465	123	-	(123)	465	438
Accounts payable	11,308	924	-	(836)	11,396	11,268
Accrued salaries, wages and benefits	5,247	5	-	(5)	5,247	4,889
Other accrued expenses	5,866	4,450	-	(4,450)	5,866	5,192
Due to (from) affiliate	(2,182)	1,835	-	1	(346)	(3)
Total current liabilities	20,704	7,337	-	(5,413)	22,628	21,784
				-		
Long-term debt, less current portion	1,914	15,906	-	(15,805)	2,015	2,480
Other long-term liabilities and deferred credits	27,314	-	-	-	27,314	27,959
Due to (from) affiliate, less current portion	17,485	6,802	-	87,683	111,970	108,729
Total liabilities	67,417	30,045	-	66,465	163,927	160,951
Net assets:						
Unrestricted-controlling interest	(82,589)	(4,515)	5,525	736	(80,843)	(83,185)
Unrestricted-noncontrolling interest	-	20,166	-	(20,166)	-	-
Total unrestricted	(82,589)	15,651	5,525	(19,430)	(80,843)	(83,185)
				-		
Temporarily restricted	321	120	340	-	781	1,441
Permanently restricted	-	-	-	-	-	-
Total net assets	(82,268)	15,771	5,865	(19,430)	(80,062)	(81,744)
Total liabilities and net assets	$ (14,851)	45,816	5,865	47,035	83,865	79,207

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.3

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Assets											
Current assets:											
Cash and cash equivalents	$ 768	15,240	(7,186)	(123,755)	1,206	109,283	5,809	6,118	701	8,184	26,099
Accounts receivable, net:											
Patient and third-party payors	45,402	1,277	-	22,793	-	21,813	1,627	-	1	92,913	87,532
Other	981	-	41	944	386	921	1	851	1	4,126	8,256
Total accounts receivable, net	46,383	1,277	41	23,737	386	22,734	1,628	851	2	97,039	95,788
Assets limited or restricted as to use	76	-	-	64	-	1,289	-	4,402	-	5,831	4,709
Inventories	5,877	-	-	3,412	428	3,501	-	547	-	13,765	15,561
Prepaid expenses and other current assets	2,535	17	22	983	52	388	11	312	(1)	4,319	7,657
Total current assets	55,639	16,534	(7,123)	(95,559)	2,072	137,195	7,448	12,230	702	129,138	149,814
Assets limited or restricted as to use, less current portion	105,890	100	-	14,291	-	31,736	-	2,510	1	154,528	137,898
Property, plant and equipment, net	57,698	1,211	8,072	36,761	-	31,874	933	834	-	137,383	145,410
Goodwill and other assets, net	16,972	505	305	44,272	354	6,761	574	1,546	(851)	70,438	69,986
Total assets	$ 236,199	18,350	1,254	(235)	2,426	207,566	8,955	17,120	(148)	491,487	503,108
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	1,700	200	(4)	-	-	-	-	-	-	1,896	896
Accounts payable	12,256	194	228	7,318	(123)	9,298	226	4,006	1	33,404	37,947
Accrued salaries, wages and benefits	15,664	211	94	2,626	30	1,684	145	1,625	-	22,079	23,180
Other accrued expenses	3,583	(10)	-	995	-	1,004	(51)	127	(2)	5,646	11,523
Due to (from) affiliate	3,704	(33)	(3,280)	(219)	-	(157)	(25)	(423)	(8)	(441)	708
Total current liabilities	36,907	562	(2,962)	10,720	(93)	11,829	295	5,335	(9)	62,584	74,254
Long-term debt, less current portion	21,346	3,500	-	-	-	-	-	-	-	24,846	25,846
Other long-term liabilities and deferred credits	25,692	457	3,991	9,703	2	9,110	574	3,500	-	53,029	62,420
Due to (from) affiliate, less current portion	(11,934)	-	1,676	46,739	-	(2,691)	3,498	2,194	703	40,185	60,476
Total liabilities	72,011	4,519	2,705	67,162	(91)	18,248	4,367	11,029	694	180,644	222,996
								-			
Net assets:											
Unrestricted-controlling interest	164,050	13,831	(2,732)	(67,385)	2,517	188,393	4,569	(94,340)	(843)	208,060	186,924
Unrestricted-noncontrolling interest	-	-	1,281	-	-	-	-	94,216	-	95,497	86,588
Total unrestricted	164,050	13,831	(1,451)	(67,385)	2,517	188,393	4,569	(124)	(843)	303,557	273,512
Temporarily restricted	138	-	-	(12)	-	865	19	4,766	1	5,777	5,139
Permanently restricted	-	-	-	-	-	60	-	1,449	-	1,509	1,461
Total net assets	164,188	13,831	(1,451)	(67,397)	2,517	189,318	4,588	6,091	(842)	310,843	280,112
Total liabilities and net assets	$ 236,199	18,350	1,254	(235)	2,426	207,566	8,955	17,120	(148)	491,487	503,108

Schedule 1.4

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Richmond Health Corporation								
	St. Mary's Hospital of Richmond, Inc.	Richmond Community Hospital	St. Francis Medical Center	Memorial Regional Medical Center	Bon Secours Healthsource	Other Corporations	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$ 303,752	(4,774)	(2,943)	169,626	(40,916)	(23,323)	66,481	467,903	398,029
Accounts receivable, net:									
Patient and third-party payors	68,469	11,284	34,298	39,950	8,253	4,068	162	166,484	155,491
Other	1,414	162	823	3,383	253	4,903	(1)	10,937	16,390
Total accounts receivable, net	69,883	11,446	35,121	43,333	8,506	8,971	161	177,421	171,881
Assets limited or restricted as to use	31	2	-	3	-	7,087	-	7,123	9,809
Inventories	6,313	1,437	3,373	5,445	455	1,736	(1)	18,758	18,800
Prepaid expenses and other current assets	1,080	1,081	741	902	6,478	2,542	14	12,838	11,513
Total current assets	381,059	9,192	36,292	219,309	(25,477)	(2,987)	66,655	684,043	610,032
Assets limited or restricted as to use, less current portion	371,915	-	-	14,561	-	16,795	-	403,271	359,653
Property, plant and equipment, net	135,580	10,790	104,189	80,388	14,501	3,874	1,724	351,046	367,150
Goodwill and other assets, net	16,859	1,975	7,891	8,392	8,513	9,929	-	53,559	56,576
Total assets	$ 905,413	21,957	148,372	322,650	(2,463)	27,611	68,379	1,491,919	1,393,411
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt	3,737	-	-	3,650	-	-	-	7,387	5,897
Accounts payable	20,143	2,791	8,110	13,555	1,905	12,112	112	58,728	55,873
Accrued salaries, wages and benefits	45,848	296	224	742	60	685	2	47,857	42,682
Other accrued expenses	4,962	1,036	2,675	6,016	1,922	914	9	17,534	25,148
Due to (from) affiliate	(337)	(45)	(220)	(202)	(356)	(345)	-	(1,505)	-
Total current liabilities	74,353	4,078	10,789	23,761	3,531	13,366	123	130,001	129,600
Long-term debt, less current portion	39,901	-	-	12,400	-	-	-	52,301	58,488
Other long-term liabilities and deferred credits	144,451	2,674	12,795	62,852	3,390	3,263	(1)	229,424	210,527
Due to (from) affiliate, less current portion	37,689	2,584	80,000	41,880	-	-	69,078	231,231	215,169
Total liabilities	296,394	9,336	103,584	140,893	6,921	16,629	69,200	642,957	613,784
Net assets:									
Unrestricted-controlling interest	608,988	12,619	44,788	181,630	(15,414)	(152,028)	(820)	679,763	619,383
Unrestricted-noncontrolling interest	-	-	-	-	6,030	137,990	(1)	144,019	133,243
Total unrestricted	608,988	12,619	44,788	181,630	(9,384)	(14,038)	(821)	823,782	752,626
Temporarily restricted	31	2	-	7	-	21,242	-	21,282	23,179
Permanently restricted	-	-	-	120	-	3,778	-	3,898	3,822
Total net assets	609,019	12,621	44,788	181,757	(9,384)	10,982	(821)	848,962	779,627
Total liabilities and net assets	$ 905,413	21,957	148,372	322,650	(2,463)	27,611	68,379	1,491,919	1,393,411

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours St. Francis Health System, Inc.									
	St. Francis - Downtown	**St. Francis - Eastside**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St Francis - Millennium**	**St. Francis Foundation**	**St. Francis Home Care**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Assets										
Current assets:										
Cash and cash equivalents	$ 168,712	205,724	(232,146)	1,025	(9,867)	2,126	(4,755)	246,224	377,043	330,136
Accounts receivable, net:								-		
Patient and third-party payors	47,927	20,024	10,289	334	1,538	-	4,676	-	84,788	86,863
Other	2,421	29	3,317	-	-	497	-	(1)	6,263	4,322
Total accounts receivable, net	50,348	20,053	13,606	334	1,538	497	4,676	(1)	91,051	91,185
Assets limited or restricted as to use	-	-	-	-	-	289	-	-	289	282
Inventories	10,988	2,936	64	100	-	-	-	(1)	14,087	14,874
Prepaid expenses and other current assets	721	109	4,925	-	151	57	-	4	5,967	5,021
Total current assets	230,769	228,822	(213,551)	1,459	(8,178)	2,969	(79)	246,226	488,437	441,498
Assets limited or restricted as to use, less current portion	21,828	-	-	-	-	5,218	-	-	27,046	24,219
Property, plant and equipment, net	123,775	59,688	-	265	173	-	-	-	183,901	165,063
Goodwill and other assets, net	91,657	-	13,758	297	-	2,151	-	-	107,863	107,058
Total assets	$ 468,029	288,510	(199,793)	2,021	(8,005)	10,338	(79)	246,226	807,247	737,838
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	23,553	4,157	1,933	153	83	-	322	1	30,202	27,294
Accrued salaries, wages and benefits	12,270	1,661	6,325	30	176	-	331	-	20,793	18,437
Other accrued expenses	2,203	699	1,512	65	207	-	1,553	(23)	6,216	5,614
Due to (from) affiliate	-	-	(1,029)	-	-	-	-	-	(1,029)	(95)
Total current liabilities	38,026	6,517	8,741	248	466	-	2,206	(22)	56,182	51,250
								-		
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	6,485	7,996	13,714	-	337	-	-	-	28,532	31,018
Due to (from) affiliate, less current portion	259,300	-	-	-	-	-	-	246,248	505,548	454,280
Total liabilities	303,811	14,513	22,455	248	803	-	2,206	246,226	590,262	536,548
								-		
Net assets:								-		
Unrestricted-controlling interest	164,218	273,997	(222,248)	849	(8,808)	5,466	(2,285)	-	211,189	196,713
Unrestricted-noncontrolling interest	-	-	-	924	-	-	-	-	924	979
Total unrestricted	164,218	273,997	(222,248)	1,773	(8,808)	5,466	(2,285)	-	212,113	197,692
								-		
Temporarily restricted	-	-	-	-	-	4,389	-	-	4,389	3,117
Permanently restricted	-	-	-	-	-	483	-	-	483	481
Total net assets	164,218	273,997	(222,248)	1,773	(8,808)	10,338	(2,285)	-	216,985	201,290
Total liabilities and net assets	$ 468,029	288,510	(199,793)	2,021	(8,005)	10,338	(79)	246,226	807,247	737,838

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**OLBH Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Assets						
Current assets:						
Cash and cash equivalents	$ 38,784	713	(60,750)	61,007	39,754	24,911
Accounts receivable, net:						
Patient and third-party payors	18,312	-	2,070	(1)	20,381	17,947
Other	1,133	70	449	1	1,653	2,903
Total accounts receivable, net	19,445	70	2,519	-	22,034	20,850
Assets limited or restricted as to use	-	-	-	-	-	-
Inventories	3,335	-	249	-	3,584	3,679
Prepaid expenses and other current assets	1,532	-	2,007	-	3,539	3,085
Total current assets	63,096	783	(55,975)	61,007	68,911	52,525
Assets limited or restricted as to use, less current portion	9,396	2,750	-	-	12,146	10,780
Property, plant and equipment, net	47,682	-	1,321	-	49,003	53,189
Goodwill and other assets, net	9,199	81	1	1	9,282	9,720
Total assets	$ 129,373	3,614	(54,653)	61,008	139,342	126,214
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	-	-	-	-	-	-
Accounts payable	7,806	-	472	1	8,279	6,890
Accrued salaries, wages and benefits	4,854	-	521	-	5,375	4,687
Other accrued expenses	2,130	-	165	-	2,295	3,690
Due to (from) affiliate	(462)	-	-	1	(461)	-
Total current liabilities	14,328	-	1,158	2	15,488	15,267
Long-term debt, less current portion	-	-	-	-	-	-
Other long-term liabilities and deferred credits	47,682	-	36	-	47,718	42,972
Due to (from) affiliate, less current portion	-	-	-	61,007	61,007	47,005
Total liabilities	62,010	-	1,194	61,009	124,213	105,244
Net assets:						
Unrestricted-controlling interest	67,362	713	(55,847)	-	12,228	18,378
Unrestricted-noncontrolling interest	-	-	-	-	-	-
Total unrestricted	67,362	713	(55,847)	-	12,228	18,378
Temporarily restricted	1	1,577	-	(1)	1,577	1,301
Permanently restricted	-	1,324	-	-	1,324	1,291
Total net assets	67,363	3,614	(55,847)	(1)	15,129	20,970
Total liabilities and net assets	$ 129,373	3,614	(54,653)	61,008	139,342	126,214

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	Frances Schervier Housing Development	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ (7,317)	191	(1,227)	(3,588)	13,031	1,090	1,206
Accounts receivable, net:							
Patient and third-party payors	5,360	-	-	92	(1)	5,451	8,812
Other	220	19	-	42	-	281	230
Total accounts receivable, net	5,580	19	-	134	(1)	5,732	9,042
Assets limited or restricted as to use	3,226	-	-	-	-	3,226	4,596
Inventories	121	-	-	-	-	121	99
Prepaid expenses and other current assets	220	33	-	-	1	254	279
Total current assets	1,830	243	(1,227)	(3,454)	13,031	10,423	15,222
Assets limited or restricted as to use, less current portion	32	175	-	-	-	207	3,342
Property, plant and equipment, net	20,529	3,834	-	73	-	24,436	22,391
Goodwill and other assets, net	5,273	132	-	-	-	5,405	4,593
Total assets	$ 27,664	4,384	(1,227)	(3,381)	13,031	40,471	45,548
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	3,000	342	-	-	-	3,342	1,739
Accounts payable	1,935	72	-	394	(1)	2,400	2,754
Accrued salaries, wages and benefits	2,980	4	22	78	1	3,085	2,455
Other accrued expenses	348	-	-	-	-	348	671
Due to (from) affiliate	(233)	34	13	(114)	(1)	(301)	(114)
Total current liabilities	8,030	452	35	358	(1)	8,874	7,505
Long-term debt, less current portion	23,900	5,589	-	-	-	29,489	34,825
Other long-term liabilities and deferred credits	11,142	47	-	274	(5)	11,458	11,095
Due to (from) affiliate, less current portion	7,429	1,424	(515)	(8,339)	13,037	13,036	5,468
Total liabilities	50,501	7,512	(480)	(7,707)	13,031	62,857	58,893
Net assets:							
Unrestricted-controlling interest	(23,740)	(3,133)	(747)	4,301	-	(23,319)	(14,660)
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-
Total unrestricted	(23,740)	(3,133)	(747)	4,301	-	(23,319)	(14,660)
Temporarily restricted	903	5	-	25	-	933	1,315
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(22,837)	(3,128)	(747)	4,326	-	(22,386)	(13,345)
Total liabilities and net assets	$ 27,664	4,384	(1,227)	(3,381)	13,031	40,471	45,548

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.8

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Charity Health System, Inc.										
	Good Samaritan Hospital	St. Anthony Community Hospital	Bon Secours Community Hospital	Schervier Pavilion	Mt. Alverno Assisted Living Facility	GSH Medical Care PC	Good Samaritan Hospital Home Care	Other Corporations	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ (100,309)	17,570	(13,048)	(6,958)	(4,947)	(61,112)	13,771	(536)	157,968	2,399	2,162
Accounts receivable, net:											
Patient and third-party payors	45,053	7,943	11,130	1,732	312	1,832	2,376	-	-	70,378	65,808
Other	3,096	1,575	988	-	-	33	(177)	6	(1)	5,520	2,809
Total accounts receivable, net	48,149	9,518	12,118	1,732	312	1,865	2,199	6	(1)	75,898	68,617
Assets limited or restricted as to use	1	-	-	-	-	-	-	517	-	518	474
Inventories	4,886	1,243	1,053	-	-	175	-	-	(1)	7,356	6,558
Prepaid expenses and other current assets	936	63	113	56	35	2,539	2	-	-	3,744	1,912
Total current assets	(46,337)	28,394	236	(5,170)	(4,600)	(56,533)	15,972	(13)	157,966	89,915	79,723
Assets limited or restricted as to use, less current portion	5,216	-	30	-	-	-	251	2,422	1	7,920	9,736
Property, plant and equipment, net	82,178	12,630	10,918	5,285	3,458	2,556	86	-	1	117,112	120,929
Goodwill and other assets, net	27,592	7,957	19,571	1,342	482	4,807	148	1,102	1	63,002	56,775
Total assets	$ 68,649	48,981	30,755	1,457	(660)	(49,170)	16,457	3,511	157,969	277,949	267,163
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	810	-	-	-	-	231	-	-	-	1,041	1,299
Accounts payable	14,327	2,964	3,437	389	227	920	458	10	(25)	22,707	16,567
Accrued salaries, wages and benefits	12,765	2,018	2,744	480	181	3,858	-	-	-	22,046	24,136
Other accrued expenses	3,584	3,303	1,921	59	17	-	500	-	-	9,384	17,447
Due to (from) affiliate	(17,065)	450	(1,058)	(36)	(6)	(465)	14,667	1,431	28	(2,054)	128
Total current liabilities	14,421	8,735	7,044	892	419	4,544	15,625	1,441	3	53,124	59,577
Long-term debt, less current portion	51,418	-	13,790	13,700	-	27	-	-	-	78,935	79,835
Other long-term liabilities and deferred credits	37,156	5,485	22,327	2,538	873	3,875	-	-	1	72,255	65,801
Due to (from) affiliate, less current portion			-	-	-	-	-	-	157,968	157,968	134,013
Total liabilities	102,995	14,220	43,161	17,130	1,292	8,446	15,625	1,441	157,972	362,282	339,226
Net assets:											
Unrestricted-controlling interest	(34,840)	34,727	(12,436)	(15,673)	(1,952)	(57,616)	582	(1,461)	(2)	(88,671)	(78,506)
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted	(34,840)	34,727	(12,436)	(15,673)	(1,952)	(57,616)	582	(1,461)	(2)	(88,671)	(78,506)
Temporarily restricted	494	34	30	-	-	-	250	2,916	(1)	3,723	5,788
Permanently restricted	-	-	-	-	-	-	-	615	-	615	655
Total net assets	$ (34,346)	34,761	(12,406)	(15,673)	(1,952)	(57,616)	832	2,070	(3)	(84,333)	(72,063)
Total liabilities and net assets	68,649	48,981	30,755	1,457	(660)	(49,170)	16,457	3,511	157,969	277,949	267,163

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours St. Petersburg Health System						
	Maria Manor Nursing Care Center, Inc.	Bon Secours Place at St. Petersburg	Maria Manor Health Resources	St. Petersburg Home Care Services, Inc.	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 2,268	1,700	-	(1,004)	1	2,965	2,028
Accounts receivable, net:							
Patient and third-party payors	2,842	-	-	493	-	3,335	2,725
Other	(4)	77	-	-	(1)	72	170
Total accounts receivable, net	2,838	77	-	493	(1)	3,407	2,895
Assets limited or restricted as to use	361	-	-	-	-	361	333
Inventories	103	-	-	-	-	103	91
Prepaid expenses and other current assets	91	133	-	4	(2)	226	269
Total current assets	5,661	1,910	-	(507)	(2)	7,062	5,616
Assets limited or restricted as to use, less current portion	-	-	-	-	-	-	-
Property, plant and equipment, net	4,964	6,427	-	42	-	11,433	11,503
Goodwill and other assets, net	3,355	567	1,000	-	(998)	3,924	2,029
Total assets	$ 13,980	8,904	1,000	(465)	(1,000)	22,419	19,149
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	-	-	-	-	-	-	-
Accounts payable	999	5	-	107	(11)	1,100	840
Accrued salaries, wages and benefits	884	152	-	57	-	1,093	1,092
Other accrued expenses	116	191	78	47	-	432	368
Due to (from) affiliate	(814)	341	3	665	10	205	322
Total current liabilities	1,185	689	81	876	(1)	2,830	2,622
Long-term debt, less current portion	-	-	-	-	-	-	61
Other long-term liabilities and deferred credits	4,467	567	-	6	-	5,040	2,750
Due to (from) affiliate, less current portion	10,700	4,458	-	-	-	15,158	15,485
Total liabilities	16,352	5,714	81	882	(1)	23,028	20,918
Net assets:							
Unrestricted-controlling interest	(2,738)	2,638	919	(1,347)	(999)	(1,527)	(2,612)
Unrestricted-noncontrolling interest	-	552	-	-	-	552	510
Total unrestricted	(2,738)	3,190	919	(1,347)	(999)	(975)	(2,102)
Temporarily restricted	366	-	-	-	-	366	333
Permanently restricted	-	-	-	-	-	-	-
Total net assets	$ (2,372)	3,190	919	(1,347)	(999)	(609)	(1,769)
Total liabilities and net assets	13,980	8,904	1,000	(465)	(1,000)	22,419	19,149

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets:						
Cash and cash equivalents	$ -	-	1,287	918	1,619	1,510
Accounts receivable, net:						
Patient and third-party payors	-	-	-	-	-	-
Other	-	-	475	386	532	518
Total accounts receivable, net	-	-	475	386	532	518
Assets limited or restricted as to use	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-	-
Total current assets	-	-	1,762	1,304	2,151	2,028
Assets limited or restricted as to use, less current portion	-	-	-	-	-	-
Property, plant and equipment, net	-	-	3,032	2,942	950	917
Goodwill and other assets, net	1,720	1,721	19,728	20,262	11,939	12,252
Total assets	$ 1,720	1,721	24,522	24,508	15,040	15,197
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	-	-	1,438	-	738	-
Accounts payable	-	-	1,450	1,308	2,194	1,894
Accrued salaries, wages and benefits	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-
Due to (from) affiliate	-	-	-	8	-	-
Total current liabilities	-	-	2,888	1,316	2,932	1,894
Long-term debt, less current portion	-	-	13,247	15,966	8,496	9,892
Other long-term liabilities and deferred credits	-	-	-	-	2,094	1,974
Due to (from) affiliate, less current portion	-	-	3,578	3,283	-	-
Total liabilities	-	-	19,713	20,565	13,522	13,760
Net assets:						
Unrestricted-controlling interest	1,720	1,721	4,809	3,943	737	704
Unrestricted-noncontrolling interest	-	-	-	-	781	733
Total unrestricted	1,720	1,721	4,809	3,943	1,518	1,437
Temporarily restricted	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-
Total net assets	$ 1,720	1,721	4,809	3,943	1,518	1,437
Total liabilities and net assets	1,720	1,721	24,522	24,508	15,040	15,197

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Good HelpCare, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets:						
Cash and cash equivalents	$ (1,887)	-	-	-	-	-
Accounts receivable, net:						
Patient and third-party payors	-	-	-	-	-	-
Other	-	-	-	-	12,898	4,899
Total accounts receivable, net	-	-	-	-	12,898	4,899
Assets limited or restricted as to use	-	-	14,790	18,333	29,174	26,749
Inventories	-	-	-	-	-	-
Prepaid expenses and other current assets	1	-	11,336	-	10,944	10,353
Total current assets	(1,886)	-	26,126	18,333	53,016	42,001
Assets limited or restricted as to use, less current portion	-	-	87,086	82,521	264,434	293,102
Property, plant and equipment, net	-	-	-	-	242,480	166,569
Goodwill and other assets, net	-	-	8,030	18,565	193,270	179,321
Total assets	$ (1,886)	-	121,242	119,419	753,200	680,993
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	-	-	-	-	12,295	21,155
Accounts payable	3,400	2,400	-	-	33,136	24,706
Accrued salaries, wages and benefits	-	-	-	-	32,073	25,320
Other accrued expenses	208	-	26,126	18,333	51,564	45,625
Due to (from) affiliate	-	-	-	-	6,030	(892)
Total current liabilities	3,608	2,400	26,126	18,333	135,098	115,914
Long-term debt, less current portion	-	-	-	-	824,692	838,879
Other long-term liabilities and deferred credits	-	-	95,116	101,086	228,516	216,628
Due to (from) affiliate, less current portion	-	-	-	-	(497,191)	(497,861)
Total liabilities	3,608	2,400	121,242	119,419	691,115	673,560
Net assets:						
Unrestricted-controlling interest	(5,494)	(2,400)	-	-	54,825	173
Unrestricted-noncontrolling interest	-	-	-	-	-	-
Total unrestricted	(5,494)	(2,400)	-	-	54,825	173
Temporarily restricted	-	-	-	-	7,260	7,260
Permanently restricted	-	-	-	-	-	-
Total net assets	$ (5,494)	(2,400)	-	-	62,085	7,433
Total liabilities and net assets	(1,886)	-	121,242	119,419	753,200	680,993

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours Charity Health System, Inc.	Bon Secours St. Petersburg Health System
Revenues:								
Net patient service revenue before bad debts	$ 123,313	713,800	1,350,056	658,829	181,710	48,682	481,146	26,903
Provision for patient bad debts, net	(9,168)	(55,518)	(94,158)	(58,931)	(11,225)	(2,240)	(24,148)	(541)
Net patient service revenue	114,145	658,282	1,255,898	599,898	170,485	46,442	456,998	26,362
Other revenue	8,272	30,396	12,202	11,902	4,731	1,029	12,533	5,250
Total revenues	122,417	688,678	1,268,100	611,800	175,216	47,471	469,531	31,612
Expenses:								
Salaries, wages and benefits	61,580	324,597	580,574	313,108	85,063	32,305	260,513	17,429
Supplies	10,838	137,770	217,370	121,415	26,833	3,127	63,048	3,213
Purchased services and other	42,389	178,549	316,035	136,007	49,984	18,577	134,162	7,920
Depreciation and amortization	4,632	30,002	48,538	18,102	8,684	1,771	17,854	905
Interest	1,352	5,625	14,901	6,276	2,202	598	4,995	597
Total expenses	120,791	676,543	1,177,418	594,908	172,766	56,378	480,572	30,064
Operating income (loss) from continuing operations	1,626	12,135	90,682	16,892	2,450	(8,907)	(11,041)	1,548
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	3,278	15,270	39,645	2,513	1,125	(27)	140	(16)
Loss on early retirement of debt	-	(32)	-	-	-	(162)	-	-
Gain (loss) on sale of asset, net	389	1	(50)	(16)	1	-	-	-
Other nonoperating activities, net	(554)	(1,939)	(19,160)	1,020	(3,146)	(158)	(1,912)	35
Excess (deficit) of continuing revenues over expenses	4,739	25,435	111,117	20,409	430	(9,254)	(12,813)	1,567
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	4,739	25,435	111,117	20,409	430	(9,254)	(12,813)	1,567
Other changes in unrestricted net assets:								
Grants for capital	-	-	-	-	-	-	4,005	-
Net change in unrealized gains (losses) on other-than-trading securities	(1,057)	171	37	185	17	(1)	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	316	188	3,509	-	-	519	2,448	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	(7,313)	(366)	-	-	-	-
Pension and other post retirement adjustments	(65)	9,422	(19,123)	-	(4,570)	77	237	-
Transfers to affiliates and other changes, net	(1,591)	(5,181)	(17,078)	(5,807)	(2,027)	-	(4,038)	(440)
Increase (decrease) in unrestricted net assets	$ 2,342	30,035	71,149	14,421	(6,150)	(8,659)	(10,161)	1,127

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Associates, LLC	Shannon MOB Partnership	BSB Health MOB Partnership	Bon Secours Good HelpCare, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Revenues:									
Net patient service revenue before bad debts	$ -	-	-	-	-	-	2	3,584,441	3,440,175
Provision for patient bad debts, net	-	-	-	-	-	-	(2)	(255,931)	(216,295)
Net patient service revenue	-	-	-	-	-	-	-	3,328,510	3,223,880
Other revenue	-	-	-	167	20,668	223,931	(197,746)	133,335	133,530
Total revenues	-	-	-	167	20,668	223,931	(197,746)	3,461,845	3,357,410
Expenses:									
Salaries, wages and benefits	-	-	-	438	-	116,426	(1,392)	1,790,641	1,717,273
Supplies	-	-	-	96	-	(7,149)	8	576,569	565,830
Purchased services and other	-	-	-	2,726	20,668	65,460	(167,691)	804,786	777,634
Depreciation and amortization	-	-	-	-	-	33,927	(32,692)	131,723	135,366
Interest	-	-	-	-	-	(1,805)	(188)	34,553	37,386
Total expenses	-	-	-	3,260	20,668	206,859	(201,955)	3,338,272	3,233,489
Operating income (loss) from continuing operations	-	-	-	(3,093)	-	17,072	4,209	123,573	123,921
Nonoperating gains (losses), net:									
Nonoperating investment gains (losses), net	-	-	-	(1)	-	23,776	(1)	85,702	95,730
Loss on early retirement of debt	-	-	-	-	-	-	-	(194)	(8,328)
Gain (loss) on sale of asset, net	-	-	-	-	-	-	(1)	324	33
Other nonoperating activities, net	-	866	80	-	-	(5,061)	(4,629)	(34,558)	(42,206)
Excess (deficit) of continuing revenues over expenses	-	866	80	(3,094)	-	35,787	(422)	174,847	169,150
(Loss) gain on discontinued operations, net	-	-	-	-	-	(1,105)	-	(1,105)	1,700
Excess (deficit) of revenues over expenses	-	866	80	(3,094)	-	34,682	(422)	173,742	170,850
Other changes in unrestricted net assets:									
Grants for capital	-	-	-	-	-	-	-	4,005	6,081
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	50	-	(598)	(1,881)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	6,980	910
Net change in equity of joint ventures	-	-	-	-	-	778	-	778	986
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	(7,679)	(6,671)
Pension and other post retirement adjustments	-	-	-	-	-	(7,186)	-	(21,208)	171,318
Transfers to affiliates and other changes, net	-	-	-	-	-	26,328	-	(9,834)	(7,545)
Increase (decrease) in unrestricted net assets	$ -	866	80	(3,094)	-	54,652	(422)	146,186	334,048

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	**Bon Secours of Maryland Foundation**	**Bon Secours Baltimore Health System Foundation**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 123,313	-	-	-	123,313	123,540
Provision for patient bad debts, net	(9,168)	-	-	-	(9,168)	(13,200)
Net patient service revenue	114,145	-	-	-	114,145	110,340
Other revenue	6,750	4,583	-	(3,061)	8,272	4,880
Total revenues	120,895	4,583	-	(3,061)	122,417	115,220
Expenses:						
Salaries, wages and benefits	60,034	1,545	-	1	61,580	65,530
Supplies	10,786	97	-	(45)	10,838	12,308
Purchased services and other	42,157	2,864	-	(2,632)	42,389	43,217
Depreciation and amortization	4,562	1,551	-	(1,481)	4,632	3,895
Interest	1,352	672	-	(672)	1,352	1,428
Total expenses	118,891	6,729	-	(4,829)	120,791	126,378
Operating income (loss) from continuing operations	2,004	(2,146)	-	1,768	1,626	(11,158)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	1,193	-	2,085	-	3,278	1,466
Loss on early retirement of debt	-	-	-	-	-	(220)
Gain (loss) on sale of asset, net	389	-	-	-	389	661
Other nonoperating activities, net	(16)	(141)	(396)	(1)	(554)	(745)
Excess (deficit) of continuing revenues over expenses	3,570	(2,287)	1,689	1,767	4,739	(9,996)
(Loss) gain on discontinued operations, net	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	3,570	(2,287)	1,689	1,767	4,739	(9,996)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	142
Net change in unrealized gains (losses) on other-than-trading securities	-	-	(1,057)	-	(1,057)	421
Net assets released from restrictions used for the purchase of property, plant, and equipment	525	313	(522)	-	316	-
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	(65)	-	-	-	(65)	10,671
Transfers to affiliates and other changes, net	(1,292)	(285)	(1)	(13)	(1,591)	(1,786)
Increase (decrease) in unrestricted net assets	$ 2,738	(2,259)	109	1,754	2,342	(528)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 340,089	9,955	-	173,464	-	181,365	8,925	-	2	713,800	701,100
Provision for patient bad debts, net	(26,770)	(659)	-	(17,337)	-	(9,958)	(793)	-	(1)	(55,518)	(68,932)
Net patient service revenue	313,319	9,296	-	156,127	-	171,407	8,132	-	1	658,282	632,168
Other revenue	7,960	25	7,477	8,700	3,033	3,182	14	78,591	(78,586)	30,396	37,286
Total revenues	321,279	9,321	7,477	164,827	3,033	174,589	8,146	78,591	(78,585)	688,678	669,454
Expenses:											
Salaries, wages and benefits	144,819	6,098	4,093	76,323	410	54,954	4,487	33,413	-	324,597	300,503
Supplies	54,079	1,049	674	29,350	2,303	47,143	970	2,201	1	137,770	134,779
Purchased services and other	100,269	1,941	1,712	58,633	226	48,730	2,496	43,127	(78,585)	178,549	190,029
Depreciation and amortization	13,743	155	382	9,493	-	6,151	226	(148)	-	30,002	30,580
Interest	2,329	79	69	1,750	-	1,331	67	-	-	5,625	5,953
Total expenses	315,239	9,322	6,930	175,549	2,939	158,309	8,246	78,593	(78,584)	676,543	661,844
Operating income (loss) from continuing operations	6,040	(1)	547	(10,722)	94	16,280	(100)	(2)	(1)	12,135	7,610
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	10,713	19	4	1,233	(2)	3,377	7	(80)	(1)	15,270	12,827
Loss on early retirement of debt	1	-	-	-	-	-	(33)	-	-	(32)	(265)
Gain (loss) on sale of asset, net	-	-	-	-	-	1	-	-	-	1	-
Other nonoperating activities, net	(3)	(2)	(941)	(73)	(9)	(836)	(1)	(72)	(2)	(1,939)	(2,220)
								-	-		
Excess (deficit) of continuing revenues over expenses	16,751	16	(390)	(9,562)	83	18,822	(127)	(154)	(4)	25,435	17,952
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	16,751	16	(390)	(9,562)	83	18,822	(127)	(154)	(4)	25,435	17,952
Other changes in unrestricted net assets:											
Grants for capital	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	44	-	127	-	171	143
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	25	-	163	-	188	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	9,422	-	-	-	-	-	-	-	-	9,422	11,930
Transfers to affiliates and other changes, net	(2,257)	(69)	-	(1,695)	-	(1,142)	(62)	43	1	(5,181)	5,212
Increase (decrease) in unrestricted net assets	$ 23,916	(53)	(390)	(11,257)	83	17,749	(189)	179	(3)	30,035	35,237

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Richmond Health Corporation								
	St. Mary's Hospital of Richmond, Inc.	**Richmond Community Hospital**	**St. Francis Medical Center**	**Memorial Regional Medical Center**	**Bon Secours Healthsource**	**Other Corporations**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Revenues:									
Net patient service revenue before bad debts	$ 547,475	102,922	270,721	358,868	52,968	18,156	(1,054)	1,350,056	1,270,231
Provision for patient bad debts, net	(29,551)	(12,946)	(18,442)	(30,898)	(2,002)	(309)	(10)	(94,158)	(60,535)
Net patient service revenue	517,924	89,976	252,279	327,970	50,966	17,847	(1,064)	1,255,898	1,209,696
Other revenue	4,755	229	2,272	3,561	920	194,413	(193,948)	12,202	15,753
Total revenues	522,679	90,205	254,551	331,531	51,886	212,260	(195,012)	1,268,100	1,225,449
Expenses:									
Salaries, wages and benefits	205,682	22,667	93,800	126,834	32,055	98,794	742	580,574	556,875
Supplies	86,716	17,762	39,383	53,322	4,087	15,981	119	217,370	205,541
Purchased services and other	168,307	24,615	93,105	128,243	12,993	83,916	(195,144)	316,035	299,069
Depreciation and amortization	15,150	1,524	7,342	7,552	3,747	13,129	94	48,538	53,587
Interest	5,022	-	4,743	5,136	-	-	-	14,901	15,241
Total expenses	480,877	66,568	238,373	321,087	52,882	211,820	(194,189)	1,177,418	1,130,291
Operating income (loss) from continuing operations	41,802	23,637	16,178	10,444	(996)	440	(823)	90,682	95,158
						-			
Nonoperating gains (losses), net:									
Nonoperating investment gains (losses), net	38,187	(70)	(186)	1,040	(75)	751	(2)	39,645	33,464
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	6	-	(56)	-	-	-	-	(50)	(608)
Other nonoperating activities, net	(7,067)	(855)	(2,403)	(7,181)	(1,646)	(6)	(2)	(19,160)	(23,916)
						-			
Excess (deficit) of continuing revenues over expenses	72,928	22,712	13,533	4,303	(2,717)	1,185	(827)	111,117	104,098
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	72,928	22,712	13,533	4,303	(2,717)	1,185	(827)	111,117	104,098
Other changes in unrestricted net assets:									
Grants for capital	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	6	-	-	31	-	-	-	37	(143)
Net assets released from restrictions used for the purchase of property, plant, and equipment	2,002	375	135	433	-	544	20	3,509	407
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	(7,313)	-	-	(7,313)	(5,152)
Pension and other post retirement adjustments	(14,259)	-	-	(4,864)	-	-	-	(19,123)	76,574
Transfers to affiliates and other changes, net	(9,783)	-	(4,365)	(4,637)	-	1,729	(22)	(17,078)	(11,726)
Increase (decrease) in unrestricted net assets	$ 50,894	23,087	9,303	(4,734)	(10,030)	3,458	(829)	71,149	164,058

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**OLBH Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 155,901	-	25,810	(1)	181,710	179,350
Provision for patient bad debts, net	(9,286)	-	(1,939)	-	(11,225)	(15,253)
Net patient service revenue	146,615	-	23,871	(1)	170,485	164,097
Other revenue	3,747	-	985	(1)	4,731	5,769
Total revenues	150,362	-	24,856	(2)	175,216	169,866
Expenses:						
Salaries, wages and benefits	57,483	-	27,580	-	85,063	88,957
Supplies	24,819	-	2,014	-	26,833	27,112
Purchased services and other	42,485	-	7,500	(1)	49,984	47,482
Depreciation and amortization	8,015	-	669	-	8,684	10,178
Interest	2,202	-	-	-	2,202	2,289
Total expenses	135,004	-	37,763	(1)	172,766	176,018
Operating income (loss) from continuing operations	15,358	-	(12,907)	(1)	2,450	(6,152)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	1,076	123	(74)	-	1,125	1,200
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net	1	-	-	-	1	6
Other nonoperating activities, net	(2,579)	(500)	(68)	1	(3,146)	(2,138)
Excess (deficit) of continuing revenues over expenses	13,856	(377)	(13,049)	-	430	(7,084)
(Loss) gain on discontinued operations, net	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	13,856	(377)	(13,049)	-	430	(7,084)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	17	-	-	17	(369)
Net assets released from restrictions used for the purchase of property, plant, and equipment	10	(10)	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	(4,570)	-	-	-	(4,570)	21,538
Transfers to affiliates and other changes, net	(2,533)	506	-	-	(2,027)	(1,753)
Increase (decrease) in unrestricted net assets	$ 6,763	136	(13,049)	-	(6,150)	12,332

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

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(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours St. Francis Health System, Inc.									
	St. Francis - Downtown	**St. Francis - Eastside**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St Francis - Millennium**	**St. Francis Foundation**	**St. Francis Home Care**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Revenues:										
Net patient service revenue before bad debts	$ 348,389	153,259	131,515	3,785	8,556	-	13,324	1	658,829	644,173
Provision for patient bad debts, net	(35,016)	(16,719)	(4,116)	(276)	(1,025)	-	(1,779)	-	(58,931)	(51,588)
Net patient service revenue	313,373	136,540	127,399	3,509	7,531	-	11,545	1	599,898	592,585
Other revenue	1,008	164	10,428	-	262	-	40	-	11,902	12,834
Total revenues	314,381	136,704	137,827	3,509	7,793	0	11,585	1	611,800	605,419
Expenses:										
Salaries, wages and benefits	111,801	50,956	133,493	1,334	4,839	-	10,684	1	313,108	306,683
Supplies	83,871	22,318	12,577	991	524	-	1,134	-	121,415	120,706
Purchased services and other	67,555	27,826	33,573	872	4,198	-	1,981	2	136,007	126,042
Depreciation and amortization	14,133	3,298	531	69	72	-	-	(1)	18,102	18,258
Interest	3,543	2,619	-	-	-	-	114	-	6,276	6,946
Total expenses	280,903	107,017	180,174	3,266	9,633	-	13,913	2	594,908	578,635
Operating income (loss) from continuing operations	33,478	29,687	(42,347)	243	(1,840)	-	(2,328)	(1)	16,892	26,784
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	2,332	244	(288)	(2)	(14)	240	-	1	2,513	2,124
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	(16)	-	-	-	-	-	-	-	(16)	(25)
Other nonoperating activities, net	(244)	78	-	(17)	10	1,150	43	-	1,020	238
Excess (deficit) of continuing revenues over expenses	35,550	30,009	(42,635)	224	(1,844)	1,390	(2,285)	-	20,409	29,121
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	35,550	30,009	(42,635)	224	(1,844)	1,390	(2,285)	-	20,409	29,121
Other changes in unrestricted net assets:										
Grants for capital	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	185	-	-	185	19
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	1,023	-	-	-	(1,023)	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	(366)	-	-	-	-	(366)	(219)
Pension and other post retirement adjustments	-	-	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(4,173)	(2,410)	-	15	-	761	-	-	(5,807)	(5,216)
Increase (decrease) in unrestricted net assets	$ 31,377	28,622	(42,635)	(127)	(1,844)	1,313	(2,285)	-	14,421	23,705

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

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(in thousands)

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(with comparative totals for 2013)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	Frances Schervier Housing Development	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Revenues:							
Net patient service revenue before bad debts	$ 45,057	-	-	3,624	1	48,682	50,668
Provision for patient bad debts, net	(1,826)	-	-	(413)	(1)	(2,240)	(1,231)
Net patient service revenue	43,231	-	-	3,211	-	46,442	49,437
Other revenue	737	1,941	1,882	292	(3,823)	1,029	698
Total revenues	43,968	1,941	1,882	3,503	(3,823)	47,471	50,135
Expenses:							
Salaries, wages and benefits	29,604	227	601	2,141	(268)	32,305	30,887
Supplies	3,075	20	6	47	(21)	3,127	2,945
Purchased services and other	14,295	897	1,275	4,845	(2,735)	18,577	17,886
Depreciation and amortization	1,715	376	-	56	(376)	1,771	1,588
Interest	598	565	-	-	(565)	598	1,810
Total expenses	49,287	2,085	1,882	7,089	(3,965)	56,378	55,116
Operating income (loss) from continuing operations	(5,319)	(144)	-	(3,586)	142	(8,907)	(4,981)
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(27)	(1)	-	-	1	(27)	(12)
Loss on early retirement of debt	(162)	-	-	-	-	(162)	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-
Other nonoperating activities, net	(12)	(2)	-	-	(144)	(158)	(67)
Excess (deficit) of continuing revenues over expenses	(5,520)	(147)	-	(3,586)	(1)	(9,254)	(5,060)
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	(5,520)	(147)	-	(3,586)	(1)	(9,254)	(5,060)
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	(1)	-	-	-	(1)	1
Net assets released from restrictions used for the purchase of property, plant, and equipment	519	-	-	-	-	519	458
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Pension and other post retirement adjustments	77	-	-	-	-	77	1,529
Transfers to affiliates and other changes, net	(1)	-	-	-	1	-	-
Increase (decrease) in unrestricted net assets	$ (4,925)	(148)	-	(3,586)	-	(8,659)	(3,072)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2014
(with comparative totals for 2013)

	Bon Secours Charity Health System, Inc.										
	Good Samaritan Hospital	**St. Anthony Community Hospital**	**Bon Secours Community Hospital**	**Schervier Pavilion**	**Mt. Alverno Assisted Living Facility**	**GSH Medical Care PC**	**Good Samaritan Hospital Home Care**	**Other Corporations**	**Consolidating Eliminations**	**2014 Consolidated**	**2013 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 280,569	57,927	75,587	14,276	2,828	34,445	15,511	-	3	481,146	445,296
Provision for patient bad debts, net	(11,534)	(2,659)	(6,612)	(330)	(46)	(2,362)	(603)	-	(2)	(24,148)	(5,131)
Net patient service revenue	269,035	55,268	68,975	13,946	2,782	32,083	14,908	-	1	456,998	440,165
Other revenue	5,728	1,332	3,190	20	110	2,052	102	-	(1)	12,533	6,028
Total revenues	274,763	56,600	72,165	13,966	2,892	34,135	15,010	-	0	469,531	446,193
Expenses:											
Salaries, wages and benefits	134,333	26,221	39,408	8,598	2,668	37,573	11,712	339	(339)	260,513	251,726
Supplies	42,388	8,108	7,789	1,082	361	3,070	251	8	(9)	63,048	58,664
Purchased services and other	75,258	16,421	23,472	4,128	1,225	9,680	3,974	429	(425)	134,162	125,260
Depreciation and amortization	11,406	2,429	2,436	275	215	1,061	34	-	(2)	17,854	15,713
Interest	4,000	-	501	470	-	24	-	-	-	4,995	4,649
Total expenses	267,385	53,179	73,606	14,553	4,469	51,408	15,971	776	(775)	480,572	456,012
Operating income (loss) from continuing operations	7,378	3,421	(1,441)	(587)	(1,577)	(17,273)	(961)	(776)	775	(11,041)	(9,819)
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	207	2	(43)	(11)	(7)	(118)	-	110	-	140	168
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	2,015	(130)	(148)	1	-	(579)	-	(2,296)	(775)	(1,912)	(3,075)
								-			
Excess (deficit) of continuing revenues over expenses	9,600	3,293	(1,632)	(597)	(1,584)	(17,970)	(961)	(2,962)	-	(12,813)	(12,726)
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	9,600	3,293	(1,632)	(597)	(1,584)	(17,970)	(961)	(2,962)	-	(12,813)	(12,726)
Other changes in unrestricted net assets:											
Grants for capital	3,860	-	145	-	-	-	-	-	-	4,005	5,940
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	-	-	-	53
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	2,447	1	2,448	44
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	237	-	-	-	-	-	-	-	-	237	(423)
Transfers to affiliates and other changes, net	(3,184)	-	(461)	(433)	-	-	-	40	-	(4,038)	(3,609)
Increase (decrease) in unrestricted net assets	$ 10,513	3,293	(1,948)	(1,030)	(1,584)	(17,970)	(961)	(475)	1	(10,161)	(10,721)

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(with comparative totals for 2013)

	Bon Secours St. Petersburg Health System						
	Maria Manor Nursing Care Center, Inc.	Bon Secours Place at St. Petersburg	Maria Manor Health Resources	St. Petersburg Home Care Services, Inc.	Consolidating Eliminations	2014 Consolidated	2013 Consolidated
Revenues:							
Net patient service revenue before bad debts	$ 24,248	-	-	2,656	(1)	26,903	25,816
Provision for patient bad debts, net	(468)	(6)	-	(67)	-	(541)	(424)
Net patient service revenue	23,780	(6)	-	2,589	(1)	26,362	25,392
Other revenue	374	4,876	-	-	-	5,250	5,029
Total revenues	24,154	4,870	0	2,589	(1)	31,612	30,421
Expenses:							
Salaries, wages and benefits	13,061	2,647	-	1,721	-	17,429	17,313
Supplies	2,688	451	-	74	-	3,213	2,903
Purchased services and other	5,907	1,153	64	798	(2)	7,920	8,035
Depreciation and amortization	591	283	-	31	-	905	886
Interest	478	119	-	-	-	597	630
Total expenses	22,725	4,653	64	2,624	(2)	30,064	29,767
Operating income (loss) from continuing operations	1,429	217	(64)	(35)	1	1,548	654
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(10)	(1)	-	(5)	-	(16)	(17)
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-
Other nonoperating activities, net	37	(2)	-	-	-	35	(8)
Excess (deficit) of continuing revenues over expenses	1,456	214	(64)	(40)	1	1,567	629
(Loss) gain on discontinued operations, net	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	1,456	214	(64)	(40)	1	1,567	629
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Pension and other post retirement adjustments	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(426)	-	(14)	-	-	(440)	(381)
Increase (decrease) in unrestricted net assets	$ 1,030	214	(78)	(40)	1	1,127	248

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	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership	
	2014	2013	2014	2013	2014	2013
Revenues:						
Net patient service revenue before bad debts	$ -	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
Expenses:						
Salaries, wages and benefits	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Purchased services and other	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-
Operating income (loss) from continuing operations	-	-	-	-	-	-
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	-	-	-	-	-	-
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-
Other nonoperating activities, net	-	-	866	437	80	467
Excess (deficit) of continuing revenues over expenses	-	-	866	437	80	467
(Loss) gain on discontinued operations, net	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	-	-	866	437	80	467
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	(1,300)	-	-
Pension and other post retirement adjustments	-	-	-	-	-	-
Transfers to affiliates and other changes, net	-	-	-	329	-	971
Increase (decrease) in unrestricted net assets	$ -	-	866	(534)	80	1,438

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	Bon Secours Good HelpCare LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2014	2013	2014	2013	2014	2013
Revenues:						
Net patient service revenue before bad debts	$ -	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-
Other revenue	167	-	20,668	28,903	223,931	222,499
Total revenues	167	-	20,668	28,903	223,931	222,499
Expenses:						
Salaries, wages and benefits	438	-	-	-	116,426	100,201
Supplies	96	-	-	-	(7,149)	863
Purchased services and other	2,726	2,400	20,668	28,903	65,460	56,000
Depreciation and amortization	-	-	-	-	33,927	39,695
Interest	-	-	-	-	(1,805)	(1,338)
Total expenses	3,260	2,400	20,668	28,903	206,859	195,421
Operating income (loss) from continuing operations	(3,093)	(2,400)	-	-	17,072	27,078
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	(1)	-	-	-	23,776	44,513
Loss on early retirement of debt	-	-	-	-	-	(7,844)
Gain (loss) on sale of asset, net	-	-	-	-	-	-
Other nonoperating activities, net	-	-	-	-	(5,061)	(9,325)
Excess (deficit) of continuing revenues over expenses	(3,094)	(2,400)	-	-	35,787	54,422
(Loss) gain on discontinued operations, net	-	-	-	-	(1,105)	1,700
Excess (deficit) of revenues over expenses	(3,094)	(2,400)	-	-	34,682	56,122
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	50	(2,005)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	778	986
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	-	-	-	-	(7,186)	49,498
Transfers to affiliates and other changes, net	-	-	-	-	26,328	10,396
Increase (decrease) in unrestricted net assets	$ (3,094)	(2,400)	-	-	54,652	114,997