



AUDITED CONSOLIDATED FINANCIAL
STATEMENTS AND SUPPLEMENTARY
INFORMATION

St. Joseph Health System and Affiliates,
A St. Joseph Health Ministry Corporation
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Audited Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

Board of Trustees
St. Joseph Health System and Affiliates

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Joseph Health System and Affiliates at June 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 27, 2013

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2013	2012
Assets		
Current assets:		
Cash and equivalents	\$ 329,513	\$ 199,940
Short-term marketable securities	782,752	784,811
Patient accounts receivable, less allowance for doubtful accounts (\$262,282 and \$179,588 as of June 30, 2013 and 2012, respectively)	607,548	485,499
Other assets	294,900	174,030
Total current assets	2,014,713	1,644,280
Long-term marketable securities	990,317	936,487
Assets limited as to use:		
Board designated	1,350,270	188,267
Held in trust	127,810	196,066
Total assets limited as to use	1,478,080	384,333
Property and equipment, net	3,641,852	2,388,782
Investments and other	115,250	55,042
Collateral held for swap counterparty	8,926	40,402
Notes receivable	23,152	4,711
Deferred financing costs, net	23,247	20,781
Goodwill and other intangibles, net	255,935	42,280
	426,510	163,216
Total assets	\$ 8,551,472	\$ 5,517,098
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 176,866	\$ 121,428
Accrued compensation and related liabilities	309,424	234,086
Accrued liabilities	366,648	292,230
Payable to third-party payors	75,873	64,045
Current maturities of long-term debt	202,453	39,238
Total current liabilities	1,131,264	751,027
Interest rate swaps	85,983	72,629
Other liabilities	252,227	178,597
Long-term debt, less current maturities	2,118,137	1,633,784
Total liabilities	3,587,611	2,636,037
Net assets:		
Unrestricted:		
Controlling interest	4,598,399	2,709,675
Noncontrolling interests in subsidiaries	76,418	35,920
Temporarily restricted	223,370	125,865
Permanently restricted	65,674	9,601
	4,963,861	2,881,061
Total liabilities and net assets	\$ 8,551,472	\$ 5,517,098

See accompanying notes.

St. Joseph Health System and Affiliates
A St. Joseph Health Ministry Corporation

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

	Year Ended June 30	
	2013	2012
Revenues:		
Patient service, net of contractual allowances and discounts	\$ 4,088,718	\$ 3,729,930
Provision for doubtful accounts	236,897	221,400
Net patient service, net of provision for doubtful accounts	3,851,821	3,508,530
Premium	943,634	740,468
Other	160,245	133,809
Total revenues	4,955,700	4,382,807
Expenses:		
Compensation and benefits	2,179,898	1,974,224
Supplies and other	1,048,765	897,381
Professional fees and purchased services	1,369,459	1,087,812
Depreciation and amortization	235,496	189,468
Interest	72,346	64,197
Total expenses	4,905,964	4,213,082
Operating income	49,736	169,725
Nonoperating gains (losses), net	159,584	(47,995)
Contribution from affiliation	1,712,981	-
Excess of revenues over expenses	1,922,301	121,730
Less: Excess of revenues over expenses attributable to noncontrolling interests	41,314	4,324
Excess of revenues over expenses attributable to controlling interests	\$ 1,880,987	\$ 117,406
Unrestricted net assets		
Excess of revenues over expenses attributable to controlling interests	\$ 1,880,987	\$ 117,406
Net assets released from restrictions and other attributable to controlling interests	7,737	6,485
Excess of revenues over expenses attributable to noncontrolling interests	41,314	4,324
Net assets released from restrictions and other attributable to noncontrolling interests	(816)	1,841
Increase in unrestricted net assets	1,929,222	130,056
Temporarily and permanently restricted net assets		
Restricted net assets released from restrictions, restricted contributions and other, net, attributable to controlling interests	16,597	25,244
Restricted net assets contribution from affiliation	136,981	-
Increase in net assets	2,082,800	155,300
Net assets at beginning of year	2,881,061	2,725,761
Net assets at end of year	\$ 4,963,861	\$ 2,831,061

See accompanying notes.