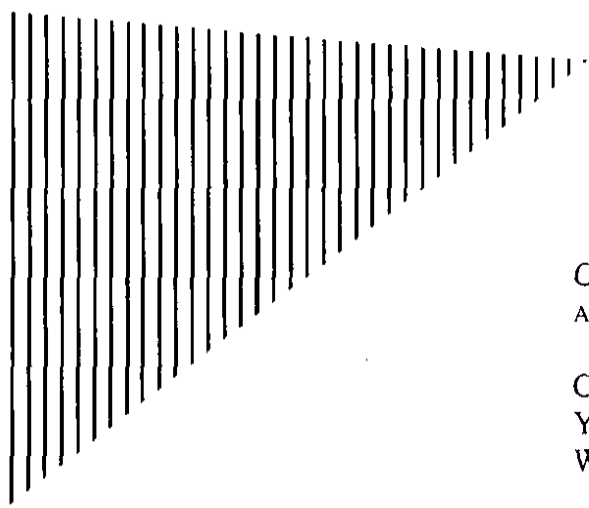


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CONFIDENTIAL



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Caritas Christi – Supplemental Consolidating Information
Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP



Caritas Christi – Supplemental Consolidating Information

Consolidated Financial Statements and Supplemental Information

Years Ended September 30, 2010 and 2009

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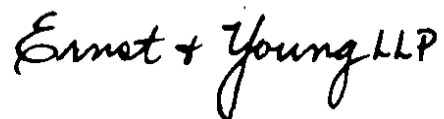
Report of Independent Auditors

Caritas Christi

We have audited the accompanying consolidated balance sheets of Caritas Christi and its member organizations as of September 30, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of Caritas Christi. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Caritas Christi's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Caritas Christi and its member organizations as of September 30, 2010 and 2009, and the results of their consolidated operations, changes in their consolidated net assets, and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.



June 8, 2011

Caritas Christi

Consolidated Balance Sheets (Amounts in thousands)

Assets	September 30	
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 51,741	\$ 128,605
Short-term investments	28,340	15,451
Current portion of assets whose use is limited	9,647	14,446
Patient accounts receivable, less allowance for uncollectible accounts of \$39.441 in 2010 and \$40.833 in 2009	112,529	105,236
Other accounts receivable	9,707	12,290
Third-party receivable	5,621	-
Other current assets	22,307	19,409
Total current assets	239,892	295,437
Assets whose use is limited:		
Investments	125,593	106,209
Funds held in trust under bond agreements	37,311	45,260
Professional liability trust	44,960	35,300
Temporarily restricted investments	2,323	10,899
Permanently restricted investments	9,929	10,447
Total assets whose use is limited	220,116	208,115
Property and equipment – net	446,201	413,807
Other assets – net	19,187	6,799
Total assets	\$ 925,396	\$ 924,158
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 29,669	\$ 29,956
Accounts payable and accrued expenses	229,637	234,501
Current portion of estimated settlements with third-party payors	5,240	11,892
Other current liabilities	13,597	18,634
Total current liabilities	278,143	294,983
Other long-term liabilities:		
Long-term debt – net of current portion	222,093	243,935
Estimated settlements with third-party payors – net of current portion	17,395	16,816
Professional liability costs	41,873	33,499
Other liabilities	86,077	75,249
Total other long-term liabilities	367,438	369,499
Total liabilities	645,581	664,482
Net assets:		
Unrestricted	266,311	237,105
Temporarily restricted	3,647	12,249
Permanently restricted	9,857	10,322
Total net assets	279,815	259,676
Total liabilities and net assets	\$ 925,396	\$ 924,158

See accompanying notes.

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Caritas Christi

Consolidated Statements of Operations
(Amounts in thousands)

	Year Ended September 30	
	2010	2009
Unrestricted revenue and other support:		
Net patient service revenue	\$ 1,209,461	\$ 1,151,533
Premium revenue	131,191	121,916
Other revenue	55,669	42,904
Research	7,972	7,306
Net assets released from restrictions used for operations and research	3,617	2,069
Total unrestricted revenue and other support	<u>1,407,910</u>	<u>1,325,728</u>
Expenses:		
Salaries, wages, and fringe benefits	816,510	763,520
Supplies and other expenses	380,945	363,378
Purchased provider services and other expenses related to premium revenue	74,660	62,523
Depreciation and amortization	58,712	50,770
Interest	14,784	15,649
Provision for bad debts	45,512	39,357
Total expenses	<u>1,391,123</u>	<u>1,295,197</u>
Income from operations before gain on sale of CML – net	16,787	30,531
Gain on sale of CML – net	-	23,780
Income from operations after gain on sale of CML – net	16,787	54,311
Non-operating gains – net	7,906	2,449
Excess of revenue over expenses	24,693	56,760
Other changes in unrestricted net assets:		
Net change in unrealized gains and losses on investments	(139)	(58)
Pension liability adjustment	(3,600)	(25,349)
Pension liability adjustment due to change in measurement date		69
Net assets released from restrictions used for purchases of property and equipment	8,142	22,316
Contribution of property and equipment	110	837
Total other changes in unrestricted net assets	<u>4,513</u>	<u>(2,185)</u>
Increase in unrestricted net assets	<u>\$ 29,206</u>	<u>\$ 54,575</u>

See accompanying notes.

Caritas Christi

Consolidated Statements of Changes in Net Assets
(Amounts in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance – September 30, 2008	\$ 182,530	\$ 31,377	\$ 10,214	\$ 224,121
Excess of revenue over expenses	56,760	-	-	56,760
Contributions	-	3,520	361	3,881
Investment income, gains, and losses	-	110	(187)	(77)
Net change in unrealized gains and losses on investments	(58)	1,627	249	1,818
Pension liability adjustment	(25,349)	-	-	(25,349)
Pension liability adjustment due to change in measurement date	69	-	-	69
Net assets released from restrictions used for:				
Operations and research	-	(2,069)	(189)	(2,258)
Purchases of property and equipment	22,316	(22,316)	(126)	(126)
Contributions of property and equipment	837	-	-	837
Change in net assets	54,575	(19,128)	108	35,555
Balance – September 30, 2009	237,105	12,249	10,322	259,676
Excess of revenue over expenses	24,693	-	-	24,693
Contributions	-	1,830	35	1,865
Investment income, gains, and losses	-	703	(80)	623
Net change in unrealized gains and losses on investments	(139)	156	48	65
Pension liability adjustment	(3,600)	-	-	(3,600)
Net assets released from restrictions used for:				
Operations and research	-	(3,617)	-	(3,617)
Purchases of property and equipment	8,142	(8,142)	-	-
Reclassification of net assets	-	468	(468)	-
Contributions of property and equipment	110	-	-	110
Change in net assets	29,206	(8,602)	(465)	20,139
Balance – September 30, 2010	\$ 266,311	\$ 3,647	\$ 9,857	\$ 279,815

See accompanying notes.

Caritas Christi

Consolidated Statements of Cash Flows
(Amounts in thousands)

	Year Ended September 30	
	2010	2009
Operating activities		
Increase in net assets	\$ 20,139	\$ 35,555
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	58,540	50,551
Provision for bad debts	45,512	39,357
Contributions of property and equipment	(110)	(837)
Restricted contributions and investment income	(2,488)	(3,804)
Net change in unrealized gains on investments	(561)	(11,208)
Net realized (gains) losses on investments	(1,229)	9,080
Pension liability adjustment	3,600	25,349
Pension liability adjustment due to change in measurement date	-	(69)
(Decrease) increase in cash resulting from a change in:		
Patient accounts receivable	(52,805)	(30,167)
Other current assets	(5,936)	888
Accounts payable and accrued expenses	(4,864)	14,308
Estimated settlements with third-party payors	(6,073)	(6,359)
Net (purchases) sales of assets whose use is limited	(5,412)	35,132
Net sales of short-term investments	(12,889)	571
Professional liability costs	8,374	(8,200)
Other liabilities	2,191	13,430
Net cash provided by operating activities	<u>45,989</u>	<u>163,577</u>
Investing activities		
Purchase of property and equipment	(88,780)	(99,650)
(Increase) decrease in non-current other assets	(13,317)	1,411
Net cash used in investing activities	<u>(102,097)</u>	<u>(98,239)</u>
Financing activities		
Proceeds from borrowings	2,762	9,300
Repayment of long-term debt	(26,345)	(26,241)
Proceeds from restricted contributions and investment income	2,827	4,416
Net cash used in financing activities	<u>(20,756)</u>	<u>(12,525)</u>
Net (decrease) increase in cash and cash equivalents	(76,864)	52,813
Cash and cash equivalents at beginning of year	128,605	75,792
Cash and cash equivalents at end of year	<u>\$ 51,741</u>	<u>\$ 128,605</u>

Caritas Christi

Consolidated Statements of Cash Flows (continued)
(Amounts in thousands)

Year Ended September 30
2010 **2009**

Supplemental disclosure of cash flow information

Cash paid for interest

\$ 15,293 \$ 16,312

Supplemental schedule of non-cash investing and financing activity

Purchase of property and equipment financed by capital leases

\$ 1,626 \$ -

Donated equipment

\$ 110 \$ 837

See accompanying notes.

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Caritas Christi

Notes to Consolidated Financial Statements

September 30, 2010

1. Organization

Caritas Christi is a Catholic health care system organized by the Roman Catholic Archdiocese of Boston (RCAB). Member hospital organizations of Caritas Christi include St. Anne's Health Care System, Inc. and affiliates, including St. Anne's Hospital Corporation (collectively, St. Anne's); Caritas St. Elizabeth's Medical Center of Boston, Inc. (Caritas St. Elizabeth's Medical Center) and affiliates (collectively, Caritas St. Elizabeth's); Caritas Valley Regional Health System, Inc. and affiliates, including Caritas Holy Family Hospital, Inc. (collectively, Valley Regional); Caritas Carney Hospital, Inc. and affiliates (Caritas Carney); Caritas Norwood Hospital, Inc. (Caritas Norwood); Caritas Southwood Hospital, Inc. (Caritas Southwood); and Caritas Good Samaritan Medical Center, Inc. (CGSMC) and affiliates. Caritas Christi serves as the sole corporate member of each of these organizations.

Caritas Christi also includes the following entities:

- Caritas Christi Physician Network, Inc., Caritas Carney Medical Group, Inc., and Caritas Good Samaritan Medical Practice Corporation (collectively, Physician Initiatives) – physician practice groups that employ physicians who provide primary care and specialty care at Caritas Christi hospitals, and in community settings throughout eastern Massachusetts.
- Tailored Risk Assurance Company, Ltd. (TRACO) – a captive insurance company owned by Caritas Christi. TRACO is incorporated and based in the Cayman Islands, and its principal activity is to provide professional liability insurance (Note 11).
- Caritas Christi Support Services, Inc. (Support Services) – the parent company for Caritas Christi Diagnostic Support Services, Inc. (Diagnostic Support Services), which operated a magnetic resonance imaging service at Caritas St. Elizabeth's and CGSMC until September 30, 2006, at which time it gave up its license and transferred the assets and operations to Caritas St. Elizabeth's and CGSMC.

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Caritas Christi

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

- Caritas Por Cristo, Inc. – an organization which provides volunteer medical services.
- Caritas Home Care, Inc. (Home Care) – an organization engaged in the provision of home care services.
- Caritas PET Imaging, LLC – a joint venture with Radiology Associates of Norwood, Inc., which operates a mobile PET imaging service at Caritas St. Elizabeth's, St. Anne's, CGSMC, Caritas Norwood, Caritas Carney, and certain non-Caritas hospitals.
- Caritas Christi Network Services, Inc. – an organization that negotiates and monitors managed care contracts.

The Board of Governors (the Board) of Caritas Christi may take all actions in furtherance of its duties, as outlined in the Eighth Amended Restated Bylaws of Caritas Christi dated May 22, 2008. There are specific actions requiring the approval of the RCAB relating to dissolution, liquidation, sale, merger, consolidation, or matters relating to the Corporation's Catholic identity. The Caritas Christi Board may amend the Articles of Organization and Bylaws of Caritas Christi by a two-thirds majority of the Board provided that such alteration or amendment shall not be effective until approval by the Archbishop.

2. Summary of Significant Accounting Policies

Reporting Entity

The accompanying consolidated financial statements include the accounts of Caritas Christi, and its member organizations and their consolidated affiliates. Significant intercompany accounts and transactions among the consolidated organizations have been eliminated in preparing the consolidated financial statements. The assets of any member of the consolidated group may not be available to meet the obligations of other members in the group, except as disclosed in Note 8.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)**Revenue Recognition**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement to member organizations are subject to negotiation, audit, and/or final determination by the third-party payors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Variances between preliminary estimates of net patient service revenue and final third-party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs. In 2010 and 2009, changes in prior year estimates increased net patient service revenue by approximately \$18,160,000 and \$12,550,000, respectively.

Estimated Settlements With Third-Party Payors

A portion of the accrual for estimated settlements with third-party payors at September 30, 2010 and 2009 has been classified as long term because such amounts, by their nature or by virtue of regulation or legislation, will not be assessed within one year.

Premium Revenue and Capitation Arrangements

Certain member organizations have agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the member organization receives monthly capitation payments based on the number of covered participants, regardless of services actually performed by the member organization. Expenses incurred related to services provided by health care providers other than the member organization, pursuant to capitation arrangements entered into by the member organization, are accrued in the period in which the services are provided, based, in part, on estimates, including an accrual for medical services incurred, but not reported. These expenses, along with other expenses incurred by Caritas Christi related to capitated arrangements, are reported as "purchased provider services and other expenses related to premium revenue" in the accompanying consolidated statements of operations.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Research Contracts

Caritas St. Elizabeth's engages in research activities funded by contracts from U.S. government agencies and other private sources. Revenue related to grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies.

Other Revenue

Other revenue includes certain investment income, parking and cafeteria revenue, and other non-patient revenue.

Employee Termination Benefits

Caritas Christi has implemented various programs to restructure certain functions within the organization. As a result, certain positions were eliminated or replaced, resulting in termination benefits totaling approximately \$13,700,000 in 2010 and \$13,800,000 in 2009, recorded as an expense in the accompanying consolidated statements of operations. As of September 30, 2010 and 2009, approximately \$13,000,000 and \$9,100,000, respectively, of these termination benefits were unpaid, and were included as accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts whose use is limited.

Investments and Investment Income

Caritas Christi classifies substantially all of its investments as trading securities. As such, realized and unrealized gains and losses are included in excess of revenue over expenses.

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Investment income that is considered central to the provision of health care services is reported as other revenue. Other investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in non-operating gains (losses), unless the income (loss) is restricted by donor or law. Realized gains (losses) on the sale of investments are generally determined by use of average costs.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amounts reported in the consolidated balance sheets and statements of operations.

Supplies

Supplies are recorded at the lower of cost (first-in, first-out method) or market, and are included in other current assets in the accompanying consolidated balance sheets.

Assets Whose Use Is Limited

Assets whose use is limited include assets set aside by the Board, assets pledged as collateral, assets held by TRACO to provide for insurance claims, and assets held in trust under bond agreements, self-insurance trust arrangements, and donor-restricted investments. Internally designated investments may, at the Board's discretion, subsequently be used for other purposes.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Equipment under capital leases 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 with depreciation and amortization expense in the accompanying consolidated statements of operations.

Gifts of long-lived assets, such as land, buildings, and equipment, are reported as unrestricted support, and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit 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 these long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

Costs of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets, net of investment income on borrowed assets held by trustees, are capitalized as a component of the cost of acquiring those assets. Amounts capitalized in 2010 and 2009 were not material. Deferred financing costs and original issue discounts are amortized over the period the related obligation is outstanding.

Temporarily and Permanently Restricted Net Assets

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

Caritas Christi has interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Board and expended. State law allows an organization's board to appropriate so much of the net appreciation of permanently restricted net assets as is prudent, considering the organization's long- and short-term needs, price level trends, and general economic conditions.

Gifts

Unconditional promises to give cash and other assets 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 conditions are substantially met. 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 expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions

Caritas Christi

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations. Pledges receivable are reported in other current assets and other assets in the accompanying consolidated balance sheets. Expected collections as of September 30, 2010 and 2009, of these pledges, are as follows (in thousands of dollars):

	<u>2010</u>	<u>2009</u>
Due in:		
Less than one year	\$ 5	\$ 673
One to five years	620	959
Total:	625	1632
Discounts and allowances	—	(95)
Net	<u>\$ 625</u>	<u>\$ 1,537</u>

Statements of Operations

For presentation purposes, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Other transactions not considered major or central to the provision of health care services are reported as non-operating gains (losses).

Excess of Revenue Over Expenses

The consolidated statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue over expenses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services, contributions of property and equipment (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), the pension liability adjustment, and the cumulative effect of changes in accounting principles.

Functional Expenses

Substantially all expenses in the accompanying consolidated statements of operations are related to the delivery of health care services.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Tax Status

Caritas Christi and certain affiliates are listed within The Official Catholic Directory. As such, these entities derive their tax-exempt status from the group tax exemption of the Roman Catholic Church. Certain other Caritas Christi affiliates have previously been determined by the Internal Revenue Service (IRS) to be organizations described in Internal Revenue Code (IRC) Section 501(c)(3). As participants in the Catholic Church's group tax exemption, or as entities recognized by the IRS as having separate tax-exempt status, these entities are exempt from federal income taxes on related income under IRC Section 501(a). Any income not substantially related to these organizations' exempt purposes may be considered unrelated business income under IRC Section 511 and, as such, subject to tax at normal corporate rates. TRACO is registered under the laws of the Cayman Islands, and is exempt from local income, profits, and capital gains taxes until 2029. Certain of Caritas Christi's affiliates are for-profit entities and, as such, are subject to income taxes. For these entities, Caritas Christi applies the provisions of Accounting Standard Codification (ASC) 740-10, *Accounting for Income Taxes*. The provision for taxes on income, which was not material in 2010 and 2009, is recorded with supplies and other expenses in the accompanying consolidated statements of operations.

Fair Value of Financial Instruments

The estimated fair value of financial instruments presented herein is based on pertinent information available to management as of September 30, 2010 and 2009. Although management is not aware of any factors that would significantly affect the estimated fair value disclosures, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date, and accordingly, current estimates of fair value may differ significantly from the amounts presented.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)**Recently Issued Accounting Pronouncements**

In December 2008, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance regarding an employer's disclosures about postretirement benefit plan assets currently included in ASC 715, *Compensation – Retirement Benefits*. This guidance requires disclosure about the major classes of postretirement benefit plan assets, including a description of the inputs and valuation techniques used to measure those assets and the designation of such assets by level; how investment allocation decisions are made; the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and significant concentrations of risk within plan assets. See Note 13 for these additional disclosures for the year ended September 30, 2010. The adoption of this guidance did not have a significant impact on Caritas Christi's consolidated financial statements for the year ended September 30, 2010.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amended ASC 820, *Fair Value Measurements and Disclosures*, to clarify certain existing fair value disclosures, and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value, and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2, and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy, and present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the consolidated financial statements.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

Caritas Christi evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date. For the year ended September 30, 2010, Caritas Christi evaluated the impact of subsequent events through June 8, 2011, representing the date at which the consolidated financial statements were issued.

3. Subsequent Event

On March 19, 2010 Caritas Christi together with certain of its subsidiaries (Caritas) entered into an Asset Purchase Agreement (the Asset Purchase Agreement) with Steward Health Care System LLC (Steward), pursuant to which Caritas agreed to sell and assign substantially all of its business, assets, and operations to Steward and/or its designated wholly owned subsidiaries. The closing of the transaction set forth in the Asset Purchase Agreement (the Transaction) was effective November 6, 2010. As part of the Transaction, all of Caritas' investments, except those in its professional liability trust and certain restricted investments, were either liquidated or placed in escrow in order to repay or defease its debt obligations. Additionally, all of its obligations under the HEFA Revenue Bonds, and substantially all of its other debt, except for capital leases, were either repaid or assumed by the escrow agent for future liquidation (Note 8).

Pursuant to the Asset Purchase Agreement, Caritas transferred net assets of \$289,000,000, including its net unfunded obligations under the Caritas Norwood Retirement Plan and the Caritas Good Samaritan Employee Retirement Partnership Plan, valued at \$64,000,000 in the accompanying consolidated financial statements, and received cash of approximately \$57,000,000, of which \$17,000,000 was used to repay or defease its debt obligations. In addition to the cash consideration paid directly to Caritas, Steward agreed to the following:

- A Pension Transfer Agreement, under which Steward agreed to assume the net unfunded obligations of the Caritas Christi Retirement Plan with respect to its current and former employees, no later than three years after the closing date of the Transaction, estimated at \$163,000,000.
- Aggregate capital expenditures for Steward and its wholly-owned subsidiaries of \$400,000,000 over the four-year period following the Transaction.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

3. Subsequent Event (continued)

- Provision of adequate cash funding to the health care system at closing to establish a working capital ratio of 1.25 to 1.
- A commitment under a Stewardship Agreement to adhere to the Ethical and Religious Directives for Catholic Healthcare Services (the Directives). The Directives are promulgated by the National Conference of Catholic Bishops.
- Other commitments and operating restrictions as imposed by the Massachusetts Attorney General and the Massachusetts Department of Public Health.

After the close of the transaction, the assets and liabilities of Caritas are estimated as follows:

Assets	
Cash and other current assets	\$31,000,000
Assets whose use is limited	<u>10,000,000</u>
Total assets	<u>\$41,000,000</u>
Liabilities and net assets	
Accrued liabilities	\$30,000,000
Net assets	<u>11,000,000</u>
Total liabilities and net assets	<u>\$41,000,000</u>

4. Charity Care and Community Benefit

Community Benefit

In furtherance of its charitable purpose, Caritas Christi and its members provide a wide variety of services to the community in order to ensure access to appropriate care for populations in need. Caritas Christi and its members support services which target not only the general population in each member's respective service area, but also particular populations with special health care needs, including the poor, the elderly, children, and minority populations. Supported services include various clinics, health screening programs, health education programs, and support area groups operated in the local area. Caritas Christi and its members work actively with other service providers to ensure the development of an effective community health network. Caritas Christi and its members also participate in activities designed to foster a vital local economic and civic environment.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

4. Charity Care and Community Benefit (continued)

Charity Care

Several of the member organizations provide care without charge or at amounts less than established rates to patients who meet certain criteria under the organizations' charity care policies. Because the member organizations do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. During 2010 and 2009, the member organizations provided approximately \$39,792,000 and \$37,677,000 in charity care, respectively. The equivalent percentage of charity care patients to all patients served was approximately 1.8% in both 2010 and 2009. Such amounts and percentages are determined using charges foregone based on established rates.

Uncompensated Care

The Commonwealth of Massachusetts operates a "health safety net" to reimburse hospitals for the cost of uncompensated care, defined as charity care, and bad debts associated with emergency services. Amounts are paid to the health safety net based on a percentage of private sector charges. Reimbursement from the health safety net is a flat amount per visit or discharge, determined prospectively from a Medicare-based reimbursement model.

5. Third-Party Reimbursement

Caritas Christi and its member organizations have agreements with third-party payors that provide for payments to the respective organizations at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

The acute care hospitals are subject to a federal prospective payment system (PPS) for Medicare non-capitated inpatient hospital services, inpatient skilled nursing facility services, and certain outpatient services. Under these prospective payment methodologies, Medicare pays a prospectively determined rate per discharge, per day, or per visit for non-physician services. These rates vary according to the Diagnosis Related Group (DRG), Resource Utilization Group, or Ambulatory Payment Classification of each patient. Capital costs related to Medicare inpatient PPS services are paid based upon a standardized amount per discharge weighted by DRG. Certain outpatient services are reimbursed according to fee screens. The hospitals are reimbursed for cost-reimbursable items at a tentative interim rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

5. Third-Party Reimbursement (continued)

U.S. Family Health Plan

The U.S. Family Health Plan (the Health Plan) is a U.S. Department of Defense (DOD) sponsored health plan available to families of active duty military, uniformed services retirees, and their eligible family members, including those age 65 and over. The National Defense Authorization Act of 1997 established six civilian organizations as designated providers of the Health Plan. Brighton Marine Health Center, Inc. (Brighton Marine) is the designated provider in Massachusetts and Rhode Island. Under the current provisions of a five-year contract with the government effective through September 30, 2013, the program requirements and the methodology for capitation rate payments are established for this fully at-risk program. In order to meet the terms of their DOD contract, Brighton Marine has subcontracted most of the administration of the Health Plan, and all of the financial risk for provision of services to Caritas St. Elizabeth's Medical Center. This subcontract is co-terminus with Brighton Marine's contract with the government. To assist it with its responsibilities, Caritas St. Elizabeth's Medical Center has subcontracted with Tufts Health Plan to assist it with the administration of the Health Plan, and to access its network of providers. A significant portion of the premium revenue in the 2010 and 2009 consolidated statements of operations is attributed to this arrangement.

Other Payor Arrangements

Caritas Christi and its member organizations have entered into other payment agreements with BlueCross BlueShield of Massachusetts, the Commonwealth's Division of Medical Assistance, commercial insurance carriers, HMOs, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge and per day, discounts from established charges, fee screens, and capitation fees earned on a per-member, per-month basis.

6. Investments

Investments at September, 30, 2010 and 2009 consisted of the following (in thousands of dollars):

	<u>2010</u>	<u>2009</u>
Temporary cash investments	\$ 71,787	\$ 41,981
Corporate debt and U.S. government securities	54,756	78,581
Mutual funds	66,771	56,100
Domestic equity securities	46,645	44,513
International equity securities	10,590	8,436
	<u>\$ 250,549</u>	<u>\$ 229,611</u>

Caritas Christi

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

Such amounts are recorded in the consolidated balance sheets at September 30, 2010 and 2009 as follows (in thousands of dollars):

	2010	2009
Short-term investments	\$ 28,340	\$ 15,451
Current portion of assets whose use is limited	9,647	14,446
Assets whose use is limited:		
Investments	125,593	106,209
Funds held in trust under bond agreements	37,311	45,260
Professional liability trust	37,406	26,899
Temporarily restricted investments	2,395	11,024
Permanently restricted investments	9,857	10,322
	\$ 250,549	\$ 229,611

Funds held in trust under bond agreements include approximately \$8,926,000 and \$15,497,000 at September 30, 2010 and 2009, respectively, in borrowed funds which are restricted for capital expenditures. At September 30, 2010 and 2009, professional liability trust investments in the accompanying consolidated balance sheets include approximately \$7,554,000 and \$8,401,000, respectively, related to reinsurance recoverables.

The composition of investment return for the years ended September 30, 2010 and 2009 is as follows (in thousands of dollars):

	2010	2009
Other revenue:		
Interest and dividend income	\$ 2,190	\$ 2,540
Non-operating gains (losses) – net:		
Interest and dividend income	5,296	2,736
Net realized gains (losses) on sale of unrestricted investments	1,229	(9,080)
Net change in unrealized gains and losses on investments	654	9,390
Other changes in unrestricted net assets	(139)	(58)
Net changes in restricted net assets	827	1,799
	\$ 10,057	\$ 7,327

Caritas Christi

Notes to Consolidated Financial Statements (continued)

7. Property and Equipment

Property and equipment at September 30, 2010 and 2009 consisted of the following (in thousands of dollars):

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 21,410	\$ 21,106
Buildings and improvements	517,004	514,679
Equipment	675,543	612,054
Leasehold improvements	23,212	14,282
	<u>1,237,169</u>	<u>1,162,121</u>
Less accumulated depreciation and amortization	<u>(825,230)</u>	<u>(778,870)</u>
	411,939	383,251
Construction-in-progress	34,262	30,556
	<u>\$ 446,201</u>	<u>\$ 413,807</u>

Caritas Christi

Notes to Consolidated Financial Statements (continued)

8. Debt

Debt at September 30, 2010 and 2009 consisted of the following (in thousands of dollars):

	<u>2010</u>	<u>2009</u>
Massachusetts Health and Education Facilities Authority (HEFA) Revenue Bonds:		
Caritas Christi Obligated Group, Series A, 5.625% – 5.75%, payable through 2028	\$ 110,925	\$ 118,410
Caritas Christi Obligated Group, Series B, 6.25% – 6.75%, payable through 2022	68,285	75,210
Valley Regional, Series C, 5.75% – 7.00%, payable through 2018	16,255	18,080
HEFA Value Lease Programs, 3.80% – 4.95%, payable through 2015	34,030	41,086
Caritas St. Elizabeth's Medical Center notes payable, variable (2.25% at September 30, 2009), payable through 2010	4,123	4,610
Caritas Good Samaritan Medical Center note payable, variable (1.75% at September 30, 2009), payable through 2013	4,494	4,928
St. Anne's Hospital note payable, 5.62%, payable through 2019	7,140	7,408
Other notes payable	2,762	323
Capital lease obligations (Note 9)	2,771	2,687
	<u>250,785</u>	<u>272,742</u>
Plus original issue premium	977	1,149
	<u>251,762</u>	<u>273,891</u>
Less current portion	29,669	29,956
Long-term debt	<u>\$ 222,093</u>	<u>\$ 243,935</u>

Caritas Christi

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

Obligated Group

During 1999, the Caritas Christi Obligated Group (the Obligated Group) issued HEFA Revenue Bonds, Series A, in the amount of \$197,735,000, which was used for the construction, renovation, and equipping of various facilities, to establish debt service funds, and to repay and defease existing debt.

During 2002, the Obligated Group issued HEFA Revenue Bonds, Series B, in the amount of \$113,665,000. Of this amount, approximately \$39,300,000 was for the construction, renovation, and equipping of various facilities. The balance of the proceeds was used to establish debt service funds, and to repay existing debt.

The Obligated Group consists of Caritas Christi, Caritas St. Elizabeth's Medical Center, Inc., St. Anne's Hospital Corporation, Valley Regional Health System, Inc., Holy Family Hospital, Inc., Caritas Carney Hospital, Caritas Norwood, and Caritas Good Samaritan Medical Center, Inc.

In connection with the sale of St. Joseph Home in November 2004, the Obligated Group requested, and was granted from the bond trustees, the withdrawal of St. Joseph Home from the Obligated Group. All outstanding bonds of St. Joseph Home, along with the proceeds of the sale, were transferred to Caritas Christi.

HEFA Value Lease Programs

In January 2004, certain affiliates of Caritas Christi entered into a HEFA tax-exempt value lease program to finance the acquisition of capital equipment, and to refinance a note payable of \$2,017,000. During 2006, Caritas Christi amended the master lease to finance the acquisition of additional capital equipment. During 2008, Caritas Christi amended the master lease to finance the acquisition of additional capital equipment in November 2007 and August 2008.

Line of Credit

Certain affiliates of Caritas Christi maintain an \$11,000,000 line of credit with a commercial bank, which bears interest at the lower of either the bank's prime rate minus 50 basis points, or LIBOR plus 100 basis points, and expires December 30, 2010. No amounts were outstanding under the line of credit agreement at September 30, 2010 or 2009.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

Loan Guarantees

Caritas St. Elizabeth's Medical Center has guaranteed the obligations of an affiliate to a commercial bank, and letters of credit for Caritas Norwood, Caritas Good Samaritan, and Valley Regional. The same obligations, and any borrowings under the line of credit, are collateralized by approximately \$15,000,000 in investments pledged by Caritas St. Elizabeth's Medical Center, Valley Regional, St. Anne's Hospital Corporation, Caritas Norwood, Caritas Home Care, and Diagnostic Support Services, which are held in trust for the benefit of the bank. The pledged investments are reported as investments in the accompanying consolidated balance sheets.

Collateral

The following is a summary of collateral under various debt agreements:

<u>Issue</u>	<u>Collateral</u>
Obligated Group revenue bonds	Pledge of gross receipts and mortgage on a portion of the property of Caritas St. Elizabeth's Medical Center
Valley Regional revenue bonds	Pledge of gross receipts
Caritas St. Elizabeth's Medical Center, Caritas Carney, and other notes payable	Mortgage on property and equipment and pledged investments

Loan Covenants

Several of the loan agreements contain covenants and financial ratios which require compliance by the various member organizations. Certain of the agreements also provide for restrictions on, among other things, additional indebtedness, transfers between affiliates, and dispositions of property.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

In conjunction with the Sale of Assets to Steward (Note 3), the Series A, B, and C HEFA Revenue Bonds were legally defeased, and substantially all of the remaining debt of Caritas Christi was paid.

Aggregate Principal Payments

Aggregate principal payments, excluding capital leases, were due as follows (in thousands of dollars):

Year Ending September 30	
2011	\$ 28,963
2012	25,858
2013	26,764
2014	27,818
2015	25,543
Thereafter	113,068
	\$ 248,014

9. Leases

Caritas Christi and its affiliates lease equipment and office space under various capital and operating leases. Minimum lease payments under capital lease obligations, and non-cancelable operating leases at September 30, 2010, were as follows (in thousands of dollars):

	Capital Leases	Operating Leases
Year Ending September 30		
2011	\$ 826	\$ 15,853
2012	895	12,117
2013	727	9,564
2014	362	7,927
2015	93	6,155
Thereafter	-	20,086
		\$ 71,702
Total minimum lease payments	2,903	
Less amount representing interest	132	
Capital lease obligations (Note 8)	\$ 2,771	

Caritas Christi

Notes to Consolidated Financial Statements (continued)

9. Leases (continued)

The net book value of equipment recorded under capital leases amounted to approximately \$3,008,000 and \$2,377,000 at September 30, 2010 and 2009, respectively.

Rent expense amounted to approximately \$22,479,000 and \$19,151,000 for the years ended September 30, 2010 and 2009, respectively.

10. Employees' Retirement Plan

Multiemployer Pension Plan (the Plan)

Caritas Christi and certain of its affiliates participate in a multiemployer, non-contributory, defined benefit pension plan, administered by the RCAB, covering a significant portion of the employees of those affiliates. Participating affiliates of Caritas Christi, including former affiliates, represent approximately 90% of the obligations of the Plan. There was no pension expense under the plan in 2010. Total pension expense under the Plan aggregated approximately \$3,006,000 in 2009, including amortization of past service costs over 15 years. Substantially all amounts provided have been paid to the Plan Trust.

In August 2003, the trustees of the Plan voted certain amendments to the Plan, effective January 1, 2004, including the freezing of benefit accruals as of that date.

In conjunction with the Sale of Assets to Steward (Note 3), Steward agreed to a Pension Transfer Agreement, under which Steward agreed to assume the net unfunded obligations of the Caritas Christi Retirement Plan with respect to its current and former employees.

Defined Contribution Plan

In September 2003, the Board of Caritas Christi voted to establish a new defined contribution retirement savings plan for employees of Caritas Christi, and certain of its affiliates, effective January 1, 2004. Plan participants have to perform one year of continuous service and have reached the age of 21 in order to be eligible to receive a match under the Plan. Under this plan, the participating entities contribute an amount equal to one-half of the participant's contribution, up to 5.0% of eligible participants' wages. Pension expense under this plan amounted to approximately \$11,678,000 and \$13,113,000 in 2010 and 2009, respectively.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

10. Employees' Retirement Plan (continued)

Defined Benefit Plans

Two of the Caritas Christi affiliates, Caritas Norwood and CGSMC, sponsor frozen defined benefit plans that provide retirement benefits for vested employees. Benefits are generally based on the participant's age, years of credited service, and compensation. The plans are funded in conformity with the funding requirements of applicable government regulations. Plan assets consist primarily of stocks and bonds.

On September 30, 2007, Caritas Christi adopted the recognition and disclosure provisions of ASC 715, *Compensation – Returned Benefits*, and ASC 958, *Not-for-Profit Entities*. The adoption had no impact on the accompanying consolidated financial statements because the plans are frozen.

The following table provides a reconciliation of benefit obligations, plan assets, and the funded status of the Caritas Norwood and CGSMC defined benefit plans, and the related amounts that are recognized in the accompanying consolidated balance sheets at September 30, 2010 and 2009 (in thousands of dollars):

	2010	2009
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 120,300	\$ 100,178
Interest cost	6,233	7,254
Actuarial loss	8,166	18,507
Benefits paid	(6,493)	(5,639)
Benefit obligation at September 30	128,206	120,300
Change in plan assets:		
Fair value of plan assets at beginning of year	63,858	68,868
Actual return on plan assets	7,541	(1,331)
Employer contributions	-	1,960
Benefits paid from plan assets	(6,493)	(5,639)
Fair value of plan assets at September 30	64,906	63,858

Caritas Christi

Notes to Consolidated Financial Statements (continued)

10. Employees' Retirement Plan (continued)

	<u>2010</u>	<u>2009</u>
Benefit obligation in excess of plan assets	\$ 63,300	\$ 56,442
Accrued benefit cost (included in other long-term liabilities)	\$ 63,300	\$ 56,442
Net periodic benefit cost:		
Interest cost	\$ 6,233	\$ 6,869
Expected return on plan assets	(5,364)	(5,770)
Net amortization and deferral	2,389	713
Benefit cost for the year ended September 30	<u>\$ 3,258</u>	<u>\$ 1,812</u>

The accumulated benefit obligation of the plans was \$128,206,000 and \$120,300,000 at September 30, 2010 and 2009, respectively.

Caritas Christi measured its plans at September 30, and used the following assumptions in determining the preceding amounts for the defined benefit plans:

	<u>2010</u>	<u>2009</u>
Discount rates for projected benefit obligation	4.75%	5.45%
Discount rates for net period benefit cost	5.45%	6.94% – 7.18%
Expected return on plan assets	8.00% – 8.50%	8.00% – 8.50%

Included in unrestricted net assets at September 30, 2010 and 2009 are the following amounts that have not yet been recognized in net periodic pension costs: unrecognized prior service costs of \$90,000 and \$100,000, and unrecognized actuarial losses of \$50,433,000 and \$46,821,000. The prior service costs and actuarial losses included in unrestricted net assets, and expected to be recognized in net periodic pension cost during the year ending September 30, 2011, is \$10,000 and \$3,212,000, respectively.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

10. Employees' Retirement Plan (continued)

The following table details the pension plan asset allocations:

	Target for Fiscal Year Ended September 30 2010	Assets at September 30 2010	2009
Equity mutual funds	43%	44%	49%
Debt mutual funds	57	56	51
Total	100%	100%	100%

The investment policy and strategy, as established by the Caritas Christi Investment Committee (the Investment Committee), is to provide for growth of capital with a moderate level of volatility by investing assets based on the target allocations stated above. Caritas Christi plans to reallocate its investments periodically to meet the above target allocations. Caritas Christi also plans to review its investment policy periodically to determine if the policy should be changed.

The expected long-term rate of return for the plan's total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class. Equity securities are expected to return 10% to 11% over the long term, while cash and fixed income is expected to return between 4% and 6%. Based on historical experience, the Investment Committee expects that each plan's asset managers will provide a modest (0.5% to 1.0% per annum) premium to their respective market benchmark indices.

The following table shows the expected cash flows of the plans (in thousands of dollars):

September 30, 2011 – expected employer contributions	\$	-
Estimated future benefit payments:		
2011	\$	6,406
2012		6,639
2013		7,056
2014		7,250
2015		7,444
2016 – 2020		40,107

Notes to Consolidated Financial Statements (continued)

11. Other Contingencies

Malpractice Insurance

Caritas Christi, and certain of its affiliates and associated physicians, secure medical malpractice and comprehensive general liability coverage from TRACO. TRACO provides insurance coverage on a modified claims-made basis. The TRACO premium is prospectively assessed and subject to retrospective adjustment. The TRACO policy covers claims made during its term, but not those occurrences for which claims may be made after expiration of the policy. Caritas Christi and its affiliates that obtain their insurance coverage from TRACO intend to renew their coverage on a claims-made basis, and have no reason to believe that they will be prevented from such renewal.

The amount of professional and comprehensive general liability insurance expense is based, in part, upon estimates prepared by independent actuaries. The accrual for professional and comprehensive general liability costs includes a provision for asserted and unasserted claims.

Through December 31, 2007, Caritas Norwood and Caritas Southwood had obtained their malpractice insurance and comprehensive liability coverage on a claims-made basis through a policy which was subject to annual renewal and retrospective adjustment. The claims-made policy covered claims made during its term, but not those occurrences for which claims may be made after expiration of the policy. Both Caritas Norwood and Caritas Southwood purchased an unlimited optional extended reporting coverage endorsement to provide coverage on unreported claims for an unlimited reporting period for all claims made after January 1, 2008. Effective January 1, 2008, Caritas Norwood and Caritas Southwood are securing their medical malpractice and comprehensive general liability coverage from TRACO.

Workers' Compensation

Valley Regional, Caritas Norwood, and CGSMC (other than Caritas Good Samaritan Occupational Health Services, Inc.) are licensed by the Commonwealth to provide workers' compensation coverage on a self-insured basis. The organizations have obtained surety bonds to support their potential obligations for coverage, have purchased excess insurance coverage to limit their exposure in the event of adverse claims experience, and have provided bank letters of credit to obtain the surety bonds. Caritas Good Samaritan Medical Center's \$1,050,000, Caritas Norwood's \$1,600,000, and Valley Regional's \$1,400,000 letters are supported by the collateral pool with a commercial bank (Note 8).

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Caritas Christi

Notes to Consolidated Financial Statements (continued)

11. Other Contingencies (continued)

Loss Contingency

On November 6, 2010, Caritas Christi, together with certain of its subsidiaries, sold and assigned substantially all of its business, assets, and operations to Steward Health Care System LLC (Steward) (Note 3). Subsequent to the sale, Steward self-reported certain technical violations of federal law relating to arrangements with certain physicians during the period 2008 – 2010. Steward has been working with the Centers for Medicare and Medicaid Services to resolve these potential Stark Law violations, which may result in a payment to the federal government.

At this time, management cannot predict with confidence the amount of its payment obligation, or other terms of a negotiated resolution. The accompanying financial statements at September 30, 2010 include a provision of \$1,000,000 related to this matter, representing management's estimate of the low end of the range of the potential settlement amount. Management has estimated the exposure at the high end of the range to be \$35,000,000. However, it is not possible at this time to reasonably predict the ultimate amount that may be payable within this range. As of June 8, 2011, no demand for payment has been made by the federal government.

Environmental Matters

Caritas Southwood is located on land formerly owned by the Commonwealth, on which the Commonwealth operated a state hospital facility. Caritas Southwood's property includes a landfill formerly used by the Commonwealth which was closed in the 1970s. Management is currently working with the Department of Environmental Protection and other governmental agencies to develop a plan of corrective action to address environmental issues associated with the Caritas Southwood site, including formally closing the landfill, remediation of soil contamination, and ongoing monitoring of potential groundwater contamination. During 2008, Caritas Christi accrued \$7,200,000 in connection with estimated remediation costs. Although the ultimate outcome of the environmental matters cannot be determined with certainty, management does not believe that the resolution of these matters will have a material adverse impact on Caritas Christi's consolidated financial position or results of operations.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

11. Other Contingencies (continued)

Asset Retirement Obligation

Caritas Christi maintains a liability primarily related to estimated costs to remove asbestos that is contained within Caritas Christi's hospital facilities. The liability, reported in other liabilities in the accompanying consolidated balance sheets, was \$8,225,000 and \$7,833,000 as of September 30, 2010 and 2009, respectively. Accretion expense was \$392,000 and \$373,000 for the years ended September 30, 2010 and 2009, respectively.

Other Contingencies

Caritas Christi and its member organizations are parties in various legal proceedings and potential claims arising in the ordinary course of their business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation, as well as regulatory actions, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Such compliance in the health care industry has recently come under increased governmental scrutiny. Management does not believe that these matters will have a material adverse effect on Caritas Christi's consolidated financial position or results of operations.

12. Concentrations of Credit Risk

Financial instruments which potentially subject Caritas Christi and its member organizations to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable.

Caritas Christi and its member organizations' investments are managed by investment managers based upon guidelines established by the Board.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

12. Concentrations of Credit Risk (continued)

Caritas Christi and its affiliated organizations provide services throughout eastern Massachusetts. The member hospitals, and certain other affiliates, grant credit without collateral to their patients, many of whom are local residents and are insured under third-party payor agreements. Net patient accounts receivable at September 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Medicare	29%	28%
Medicaid	10	14
Blue Cross	14	15
Other commercial insurance companies, HMOs, and patients	47	43
	<u>100%</u>	<u>100%</u>

A significant portion of the accounts receivable from commercial insurance companies and HMOs is derived from two Massachusetts managed care companies. Although management expects the amounts recorded as net accounts receivable at September 30, 2010 to be collectible, this concentration of credit risk is expected to continue in the near term.

13. Fair Value Measurements

The following methods and assumptions were used to estimate, when practical, the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount of such assets approximates fair value because of the short maturities of these instruments.

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

Investments

Caritas Christi applies the methods of calculating fair value as described in ASC 820-10, *Fair Value Measurement*, to value its financial assets and liabilities, when applicable. As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, Caritas Christi utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

Financial assets and liabilities carried at fair value as of September 30, 2010 and 2009 are classified in the tables below in one of the three categories described above (in thousands):

2010	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 38,682	\$ 33,105	\$ -	\$ 71,787
Fixed-income securities	2,611	52,145	-	54,756
Mutual funds	5,727	61,044	-	66,771
Domestic equity securities	46,645	-	-	46,645
International equity securities	10,590	-	-	10,590
Total assets at fair value	<u>\$ 104,255</u>	<u>\$ 146,294</u>	<u>\$ -</u>	<u>\$ 250,549</u>

2009	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ -	\$ 5,654	\$ -	\$ 5,654
Fixed-income securities	-	78,581	-	78,581
Mutual funds	38,698	53,729	-	92,427
Domestic equity securities	44,513	-	-	44,513
International equity securities	8,436	-	-	8,436
Total assets at fair value	<u>\$ 91,647</u>	<u>\$ 137,964</u>	<u>\$ -</u>	<u>\$ 229,611</u>

Caritas Christi

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

2010	Level 1	Level 2	Level 3	Total
Pension Plan Assets				
Mutual funds	\$ -	\$ 64,906	\$ -	\$ 64,906
Total assets at fair value	\$ -	\$ 64,906	\$ -	\$ 64,906
2009	Level 1	Level 2	Level 3	Total
Pension Plan Assets				
Mutual funds	\$ -	\$ 63,858	\$ -	\$ 63,858
Total assets at fair value	\$ -	\$ 63,858	\$ -	\$ 63,858

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers. The methods described above may produce a fair value that may not be indicative of net realizable value, or reflective of future fair values. Furthermore, while Caritas Christi believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Long-Term Debt

The fair value of the HEFA Revenue Bonds (Note 8) is based on quoted market prices. The remaining long-term debt instruments have a carrying value that approximates their fair value. Total fair value of long-term debt amounted to approximately \$198,181,000 and \$210,469,000 at September 30, 2010 and 2009, respectively.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

14. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2010 and 2009 (in thousands of dollars):

	<u>2010</u>	<u>2009</u>
Plant and equipment	\$ 430	\$ 6,229
Research	273	587
Education	321	2,341
Health care services	2,623	3,092
Total	<u>\$ 3,647</u>	<u>\$ 12,249</u>

Permanently restricted net assets are invested in perpetuity, the income from which is generally expendable to support the delivery of health care services. Permanently restricted net assets are reported at the original gift amount, with realized and unrealized gains reported as additions to temporarily restricted net assets.

Caritas Christi's endowments consist of numerous individual funds established for a variety of purposes. These endowments consist solely of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Caritas Christi requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Caritas Christi classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Caritas Christi considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of Caritas Christi and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the investment policies of Caritas Christi, and (7) other resources of Caritas Christi.

Caritas Christi

Notes to Consolidated Financial Statements (continued)

14. Temporarily and Permanently Restricted Net Assets (continued)

For the year ended September 30, 2010, Caritas Christi had the following endowment-related activities (in thousands of dollars):

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at October 1, 2009	\$ 716	\$ 10,322	\$ 11,038
Investment return:			
Investment income – net	489	(80)	409
Net appreciation	286	48	334
Total investment return	775	(32)	743
Contributions to perpetual endowment	129	35	164
Net asset reclassifications	95	-	95
Amounts appropriated for expenditure/transfer	(393)	(468)	(861)
Total change in endowment funds	606	(465)	141
Endowment net assets at September 30, 2010	\$ 1,322	\$ 9,857	\$ 11,179

For the year ended September 30, 2009, Caritas Christi had the following endowment-related activities (in thousands of dollars):

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at October 1, 2008	\$ 214	\$ 10,214	\$ 10,428
Investment return:			
Investment income – net	(344)	(187)	(531)
Net appreciation	809	249	1,058
Total investment return	465	62	527
Contributions to perpetual endowment	-	361	361
Net asset reclassifications	(9)	-	(9)
Amounts appropriated for expenditure/transfer	46	(315)	(269)
Total change in endowment funds	502	108	610
Endowment net assets at September 30, 2009	\$ 716	\$ 10,322	\$ 11,038

Caritas Christi

Notes to Consolidated Financial Statements (continued)

14. Temporarily and Permanently Restricted Net Assets (continued)

The overall financial objectives of Caritas Christi are to provide a sustainable and increasingly upward trend in the endowment distribution dollars to support the annual operating budget, to preserve and enhance the real (inflation-adjusted) purchasing power of Caritas Christi, and to provide support for capital investment needs as they arise.

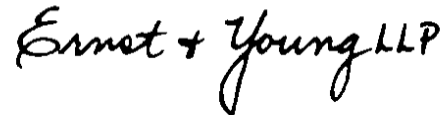
The long-term investment objectives of Caritas Christi are to attain an inflation-adjusted or real total return (net of investment management fees) at least equal to Caritas Christi's spending rate, as measured over a full market cycle (or rolling five-to-seven-year periods); achieve annualized returns in excess of the strategic policy portfolio blended benchmark, and measured over a full market cycle; and outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Caritas Christi to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in unrestricted net assets as of September 30, 2010 and 2009.

Auditors' Report on Other Financial Information

Caritas Christi

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.



June 8, 2011

CARLIS CHRISTI
SUPPLEMENTAL CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION
 SEPTEMBER 30, 2010
 (In Thousands of Dollars)

	Carlis St. Elizabeth's	Saint Anne's Healthcare	Carlis Valley Regional	Carlis Carmex Carmex	Carlis Norwood	Carlis Southwood	Carlis Good Samaritan Medical Ctr	Carlis Physician Institutes	TRACO	Other Entities & Eliminations	Total
ASSETS											
CURRENT ASSETS:											
Cash and cash equivalents	\$ 16,516	\$ 1,834	\$ (2,725)	\$ 1,598	\$ (1,220)	\$ -	\$ 10,627	\$ 3,979	\$ 8	\$ 20,043	\$ 51,741
Short-term investments	5,206	11,213	1,342	-	1,192	-	3,400	-	-	5,987	28,340
Current portion of assets whose use is limited	2,587	733	1,327	248	1,519	-	966	-	-	2,067	9,647
Patient accounts receivable, less allowance for uncollectible accounts	27,913	10,807	13,708	9,399	15,172	-	16,425	14,350	-	4,755	112,529
Other accounts receivable	1,217	2,017	2,126	4,227	320	-	2,277	3,463	132	(6,072)	9,707
Third party receivable	1,069	215	197	2,885	296	-	959	-	-	5,621	9,621
Other current assets	8,615	1,308	3,676	1,357	3,125	-	4,656	988	16	(1,434)	22,307
Total current assets	63,123	28,127	19,801	19,714	21,504	31	39,310	22,780	136	25,346	239,892
ASSETS WHOSE USE IS LIMITED:											
Investments	20,880	40,822	17,519	866	13,822	-	7,509	-	6,056	18,119	125,593
Funds held in trust under bond agreements	11,223	5,459	6,468	1,033	7,318	-	4,080	-	-	1,730	37,311
Professional liability - trust	-	-	-	-	-	-	-	-	44,960	-	44,960
Temporarily restricted investments	650	134	14	813	620	-	86	-	-	6	2,323
Permanently restricted investments	4,346	2,113	13	1,307	591	670	789	-	-	100	9,929
Total assets whose use is limited	37,099	48,528	24,014	4,019	22,351	670	12,464	-	51,016	19,955	220,116
PROPERTY AND EQUIPMENT, Net											
	132,406	64,568	63,052	22,146	62,685	-	47,301	5,161	-	48,882	446,201
OTHER ASSETS, Net											
	27,292	8,664	3,205	757	3,084	-	1,954	3,764	-	(29,533)	19,187
Total Assets	\$ 259,920	\$ 149,887	\$ 110,072	\$ 46,616	\$ 109,624	\$ 701	\$ 101,029	\$ 31,705	\$ 51,172	\$ 64,650	\$ 925,396
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES:											
Current portion of long-term debt	\$ 10,163	\$ 4,866	\$ 3,918	\$ 2,802	\$ 5,342	\$ -	\$ 3,302	\$ -	\$ -	\$ (744)	\$ 29,669
Accounts payable and accrued expenses	62,931	20,861	17,948	21,567	24,480	8	29,219	24,861	287	27,475	229,637
Current portion of estimated settlements with third-party payors	718	906	209	1,024	333	-	1,950	-	-	100	5,240
Other current liabilities	912	-	-	3,266	-	-	-	-	15,399	(15,980)	13,597
Total current liabilities	74,724	26,633	22,095	28,659	30,155	8	34,471	24,861	15,686	20,851	278,143
OTHER LIABILITIES:											
Long-term debt, net of current portion	83,367	29,240	33,954	15,176	32,729	-	24,961	14,556	-	(11,890)	222,093
Estimated settlements with third-party payors, net of current portion	517	4,267	2,704	2,422	2,778	-	3,535	-	-	1,172	17,395
Professional liability costs	2,128	645	617	363	576	-	794	893	35,819	38	41,873
Other liabilities	1,151	8,449	1,718	9,474	55,127	7,250	10,014	-	-	(7,106)	86,077
Total other liabilities	87,163	42,601	38,993	27,435	91,210	7,250	39,204	15,449	35,819	(17,786)	367,438
Total liabilities	161,887	69,234	61,088	56,094	121,365	7,258	73,775	40,310	51,505	3,065	645,581
NET ASSETS:											
Unrestricted	93,000	78,406	48,957	(11,578)	(12,952)	(7,228)	25,842	(3,605)	(333)	60,802	266,311
Temporarily restricted	687	261	14	813	620	-	623	-	-	629	3,647
Permanently restricted	4,346	1,986	13	1,307	591	671	789	-	-	154	9,857
Total net assets	98,033	80,653	48,984	(9,458)	(11,741)	(6,557)	27,254	(8,605)	(333)	61,585	279,815
Total Liabilities and Net Assets	\$ 259,920	\$ 149,887	\$ 110,072	\$ 46,616	\$ 109,624	\$ 701	\$ 101,029	\$ 31,705	\$ 51,172	\$ 64,650	\$ 925,396

**CARITAS CHRISTI
OTHERS & ELIMINATIONS
SUPPLEMENTAL CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION**
SEPTEMBER 30, 2010
(In Thousands of Dollars)

	Caritas St. Joseph Nursing Care	Caritas Good Samaritan Hospital	Caritas Home Care	Caritas Other	Caritas Support Services	Health Care Enterprises	Caritas PET Imaging LLC	Caritas Por Cristo	Caritas Christi	Eliminations	Total
ASSETS											
CURRENT ASSETS:											
Cash and cash equivalents	\$ -	\$ -	\$ 4,707	\$ 100	\$ (2,428)	\$ -	\$ 1,384	\$ 201	\$ 16,079	\$ -	\$ 20,043
Investments	-	-	984	-	-	-	-	-	5,003	-	5,987
Current portion of assets whose use is limited	-	-	-	-	-	-	-	-	2,067	-	2,067
Patient accounts receivable, less allowance for uncollectible accounts	-	-	3,949	-	-	-	844	-	-	(38,000)	4,755
Other accounts receivable	-	-	39	19	-	-	-	-	43,235	(49,365)	(6,072)
Third party receivable	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	132	72	3	-	75	2	13,681	(15,399)	(1,331)
Total current assets	-	-	9,811	191	(2,425)	-	2,303	203	80,065	(64,802)	25,346
ASSETS WHOSE USE IS LIMITED:											
Long-term investments	-	-	11,435	-	-	-	-	-	6,684	-	18,119
Funds held in trust under bond agreements	-	-	-	-	-	-	-	-	1,730	-	1,730
Professional liability trust	-	-	-	-	-	-	-	6	-	-	6
Temporarily restricted investments	-	-	-	-	-	-	-	100	-	-	100
Temporarily restricted investments	-	-	-	-	-	-	-	-	-	-	-
Total assets whose use is limited	-	-	11,435	-	-	-	-	106	8,414	-	19,955
PROPERTY AND EQUIPMENT, Net	-	-	1,019	792	123	-	100	65	48,308	(1,525)	48,882
OTHER ASSETS, Net	-	-	-	42	-	-	60	600	1,586	(31,821)	(29,533)
Total Assets	\$ -	\$ -	\$ 22,265	\$ 1,025	\$ (2,302)	\$ -	\$ 2,463	\$ 974	\$ 138,373	\$ (98,148)	\$ 64,650
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES:											
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906	\$ (11,650)	\$ (744)
Accounts payable and accrued expenses	-	-	2,695	22	990	-	1,112	21	68,894	(48,259)	27,575
Current portion of estimated settlements with third-party payors	-	-	100	-	-	-	-	-	9,219	(15,399)	(5,860)
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	-	-	2,795	22	990	-	1,112	21	79,219	(63,308)	20,851
OTHER LIABILITIES:											
Long-term debt, net of current portion	-	-	-	-	-	-	-	-	7,649	(19,539)	(11,890)
Estimated settlements with third-party payors, net of current portion	-	-	1,172	-	-	-	-	-	-	1,172	1,172
Professional liability costs	-	-	38	-	-	-	-	-	-	38	38
Other liabilities	-	-	-	652	-	-	151	1,046	3,501	(12,456)	(7,106)
Total other liabilities	-	-	1,210	652	-	-	151	1,046	11,150	(31,995)	(17,786)
Total liabilities	-	-	4,005	674	990	-	1,263	1,067	90,369	(95,303)	3,065
NET ASSETS:											
Unrestricted	-	-	18,195	351	(3,292)	-	1,200	(900)	47,993	(2,845)	60,802
Temporarily restricted	-	-	11	-	-	-	-	100	11	-	629
Permanently restricted	-	-	51	-	-	-	-	-	-	-	154
Total net assets	-	-	18,260	351	(3,292)	-	1,200	(93)	48,004	(2,845)	61,585
Total liabilities and Net Assets	\$ -	\$ -	\$ 22,265	\$ 1,025	\$ (2,302)	\$ -	\$ 2,463	\$ 974	\$ 138,373	\$ (98,148)	\$ 64,650

**CARTIUS CHRISTI
SUPPLEMENTAL CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2010
(In Thousands of Dollars)**

	Caritas St. Elizabeth's	St. Anne's Healthcare	Caritas Valley Regional	Caritas Garney	Caritas Norwood	Caritas Southwood	Caritas Good Samaritan Medical Ctr	Caritas Physician Initiatives	TRACO	Other Entities & Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:											
Net patient service revenue	\$ 272,405	\$ 146,237	\$ 148,072	\$ 113,311	\$ 164,205	\$ -	\$ 195,978	\$ 146,097	\$ -	\$ 23,156	\$ 1,209,461
Premium revenue	131,029	-	-	-	-	-	-	-	5,594	(5,432)	131,191
Other revenue	8,752	3,736	4,237	12,887	2,226	-	5,072	64,346	4,614	(50,201)	55,669
Research	7,927	-	45	-	-	-	-	-	-	-	7,927
Net assets released from restrictions used for operations	1,818	442	158	203	558	-	127	-	-	311	3,617
Total unrestricted revenue and other support	421,931	150,415	152,512	126,401	166,989	-	201,177	210,443	10,208	(32,166)	1,407,910
EXPENSES:											
Salaries, wages and fringe benefits	162,979	65,316	80,571	75,042	96,466	(63)	102,109	155,258	-	78,832	816,510
Supplies and other expenses	127,916	61,146	53,625	41,354	55,654	79	74,979	42,711	10,208	(86,727)	380,945
Purchased provider services and other expenses related to premium revenue	82,132	-	-	-	-	-	-	-	-	(7,192)	74,660
Depreciation and amortization	16,543	7,016	6,922	2,877	6,376	-	7,017	1,660	-	10,271	58,712
Interest	5,515	1,975	2,357	1,001	2,287	-	1,675	704	-	(730)	14,784
Provision for bad debts	4,955	4,162	5,381	2,675	3,713	-	4,426	19,742	-	478	45,512
Total expenses	400,010	139,645	148,856	122,919	164,496	16	190,206	220,075	10,208	(5,368)	1,391,123
INCOME (LOSS) FROM OPERATIONS	21,891	10,770	3,656	3,452	2,493	(16)	10,971	(9,632)	-	(26,798)	16,787
NONOPERATING GAINS, Net	1,616	2,392	1,768	50	955	-	2,205	-	(1,504)	424	7,906
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	23,507	13,162	5,424	3,502	3,448	(16)	13,176	(9,632)	(1,504)	(26,374)	24,693
OTHER CHANGES IN UNRESTRICTED NET ASSETS:											
Net change in unrealized gains and losses on investments	(97)	2	(10)	-	(6)	-	(38)	-	-	-	(139)
Pension liability adjustment	-	-	-	-	(2,821)	-	(779)	-	-	-	(3,600)
Net assets released from restrictions used for purchases of property and equipment	1,519	664	819	1,583	972	-	2,576	-	-	9	8,142
Contribution of property and equipment	111	(1)	-	-	-	-	-	-	-	-	110
Transfers to affiliate	(5,103)	(2,808)	(2,575)	(1,831)	(5,142)	2,814	(2,936)	(2,438)	-	20,019	-
Total other changes in unrestricted net assets	(3,370)	(2,143)	(1,766)	(248)	(6,997)	2,814	(1,167)	(2,438)	-	20,028	4,513
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 19,937	\$ 11,019	\$ 3,658	\$ 3,254	\$ (3,549)	\$ 2,798	\$ 12,009	\$ (12,070)	\$ (1,504)	\$ (6,346)	\$ 29,206

**CARITAS CHRISTI
OTHERS & ELIMINATIONS
SUPPLEMENTAL CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2010
(In Thousands of Dollars)**

	Caritas St. Joseph Nursing Care	Caritas Good Samaritan Hospital	Caritas Home Care	Caritas Other	Caritas Support Services	Health Care Enterprises	Caritas PFT Imaging LLC	Caritas Por Cristo	Caritas Christi	Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:											
Net patient service revenue	\$ -	\$ 1,019	\$ 23,260	\$ -	\$ 490	\$ -	\$ 5,849	\$ -	\$ -	\$ (7,492)	\$ 23,156
Premium revenue	-	28	40	663	7,181	-	2	750	87,476	(5,432)	(5,432)
Other revenue	326	-	-	-	-	-	-	-	-	(146,667)	(50,201)
Research	-	-	44	-	-	-	-	-	-	-	-
Net assets released from restrictions used for operations	-	-	-	-	-	-	-	267	-	-	311
Total unrestricted revenue and other support	326	1,077	23,344	663	7,671	-	5,851	1,017	87,476	(159,591)	(32,166)
EXPENSES:											
Salaries, wages and fringe benefits	-	706	18,259	65	2,389	-	1,097	470	56,737	(891)	78,832
Supplies and other expenses	(226)	402	4,731	939	5,014	602	3,469	604	44,377	(149,639)	(86,227)
Purchased provider services and other expenses related to premium revenue	-	-	-	-	-	-	-	-	-	-	(7,492)
Depreciation and amortization	-	2	269	137	14	-	8	8	9,833	(730)	10,271
Interest	-	-	-	-	-	-	-	-	529	-	(1,259)
Provision for bad debts	406	3	33	1	-	-	35	-	-	-	478
Total expenses	180	1,113	23,292	1,142	10,417	602	4,609	1,082	111,476	(159,281)	(3,568)
INCOME (LOSS) FROM OPERATIONS	146	(36)	52	(479)	(2,746)	(602)	1,242	(65)	(24,000)	(310)	(26,798)
NONOPERATING GAINS, Net	-	6	814	(10)	51	-	-	-	140	(577)	424
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	146	(30)	866	(489)	(2,695)	(602)	1,242	(65)	(23,860)	(887)	(26,374)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:											
Net change in unrealized gains and losses on investments	-	-	-	-	-	-	-	-	-	-	-
Pension liability adjustment	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions used for purchases of property and equipment	-	-	-	-	-	-	-	9	-	-	9
Contribution of property and equipment	-	-	-	-	-	-	-	-	-	-	-
Transfers to affiliate	-	(1,947)	1,947	(674)	(2,026)	1,701	(1,400)	-	21,018	1,400	20,019
Total other changes in unrestricted net assets	-	(1,947)	1,947	(674)	(2,026)	1,701	(1,400)	9	21,018	1,400	20,028
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 146	\$ (1,977)	\$ 2,813	\$ (1,163)	\$ (4,721)	\$ 1,099	\$ (158)	\$ (56)	\$ (2,842)	\$ 513	\$ (6,346)

**CARITAS CHRISTI
SUPPLEMENTAL CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION
SEPTEMBER 30, 2009
(In Thousands of Dollars)**

	Caritas St. Elizabeth's	St. Anne's Healthcare	Caritas Valley Regional	Caritas Carmex	Caritas Norwood	Caritas Southwood	Caritas Good Samaritan Medical Ctr	Caritas Physician Initiatives	TRACO	Other Entities & Eliminations	Total
ASSETS											
CURRENT ASSETS:											
Cash and cash equivalents	\$ 16,408	\$ 11,188	\$ 5,210	\$ 9,412	\$ 5,452	\$ 30	\$ 19,790	\$ 3,726	\$ 56	\$ 57,333	\$ 128,605
Short-term investments	2,881	\$ 090	36	-	217	174	2,783	-	-	1,270	15,451
Current portion of assets whose use is limited	2,347	724	1,114	247	1,490	-	935	-	-	7,589	14,446
Patient accounts receivable, less allowance for uncollectible accounts	26,640	9,917	14,712	9,199	14,626	-	16,424	11,043	-	2,675	105,236
Other accounts receivable	1,849	1,250	2,755	3,042	804	-	2,653	480	577	(1,120)	12,290
Other current assets	6,621	1,571	1,951	1,758	2,707	-	3,135	4,538	13	(2,885)	19,409
Total current assets	\$ 56,746	\$ 32,740	\$ 25,778	\$ 23,658	\$ 25,296	\$ 204	\$ 45,720	\$ 19,787	\$ 646	\$ 64,862	\$ 295,437
ASSETS WHOSE USE IS LIMITED:											
Investments	16,413	33,576	16,879	1,116	12,560	-	888	-	13,355	11,422	106,209
Funds held in trust under bond agreements	12,172	10,792	7,194	1,909	8,092	-	3,371	-	-	1,730	45,266
Professional liability trust	-	-	-	-	-	-	-	-	35,300	-	35,300
Temporarily restricted investments	3,318	255	925	1,714	912	-	7,755	-	-	-	10,899
Permanently restricted investments	4,291	2,001	13	1,563	1,018	618	789	-	-	154	10,447
Total assets whose use is limited	\$ 36,194	\$ 46,624	\$ 25,011	\$ 6,322	\$ 22,582	\$ 618	\$ 8,803	\$ -	\$ 48,655	\$ 13,306	\$ 208,115
PROPERTY AND EQUIPMENT, Net											
	134,280	\$ 8,824	\$ 55,641	\$ 20,655	\$ 62,699	\$ -	\$ 46,158	\$ 6,431	\$ -	\$ 29,059	\$ 413,807
OTHER ASSETS, Net	19,853	1,569	1,727	1,063	4,995	-	2,534	21,821	-	(46,763)	6,799
Total Assets	\$ 247,073	\$ 139,757	\$ 108,157	\$ 51,728	\$ 115,572	\$ 822	\$ 103,245	\$ 48,039	\$ 49,301	\$ 60,464	\$ 924,158
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES:											
Current portion of long-term debt	\$ 10,022	\$ 4,625	\$ 3,979	\$ 2,675	\$ 5,062	\$ -	\$ 3,877	\$ -	\$ -	\$ (784)	\$ 29,956
Accounts payable and accrued expenses	60,003	23,457	17,455	20,281	28,268	4	38,552	21,565	766	24,450	234,501
Current portion of estimated settlements with third-party payors	1,254	87	893	4,705	1,379	-	2,699	-	-	875	11,892
Other current liabilities	1,296	-	-	3,222	-	-	-	200	-	51	18,654
Total current liabilities	\$ 72,575	\$ 28,169	\$ 22,327	\$ 30,883	\$ 34,709	\$ 4	\$ 44,828	\$ 21,765	\$ 14,631	\$ 25,092	\$ 294,983
OTHER LIABILITIES:											
Long-term debt, net of current portion	88,159	34,114	35,102	16,997	38,089	-	28,331	-	-	3,143	243,935
Estimated settlements with third-party payors, net of current portion	517	5,492	2,855	658	3,010	-	3,271	-	-	1,013	16,816
Professional liability costs	-	-	-	-	-	-	-	-	33,499	-	33,499
Other liabilities	4,767	2,024	1,636	14,232	47,237	10,226	9,244	22,809	-	(36,926)	75,249
Total other liabilities	\$ 93,443	\$ 41,630	\$ 39,593	\$ 31,887	\$ 88,316	\$ 10,226	\$ 40,846	\$ 22,809	\$ 33,499	\$ (32,770)	\$ 369,499
Total liabilities	\$ 166,018	\$ 69,799	\$ 61,920	\$ 62,770	\$ 123,045	\$ 10,230	\$ 85,674	\$ 44,574	\$ 48,130	\$ (7,678)	\$ 664,482
NET ASSETS:											
Unrestricted	73,063	67,387	45,299	(14,832)	(9,403)	(10,026)	13,833	3,465	1,171	67,148	237,105
Temporarily restricted	3,650	490	925	2,483	912	-	2,549	-	-	840	12,249
Permanently restricted	4,342	2,081	13	1,307	1,018	618	789	-	-	154	10,322
Total net assets	\$ 81,055	\$ 69,958	\$ 46,237	\$ (11,042)	\$ (7,473)	\$ (9,408)	\$ 17,571	\$ 3,465	\$ (1,171)	\$ 68,142	\$ 359,676
Total Liabilities and Net Assets	\$ 247,073	\$ 139,757	\$ 108,157	\$ 51,728	\$ 115,572	\$ 822	\$ 103,245	\$ 48,039	\$ 49,301	\$ 60,464	\$ 924,158

CARITAS CHRISTI
OTHERS & ELIMINATIONS
SUPPLEMENTAL CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION
SEPTEMBER 30, 2009
(In Thousands of Dollars)

	Caritas St. Joseph Nursing Care		Caritas Good Samaritan Hospice		Caritas Home Care		Caritas Other		Caritas Support Services		Health Care Enterprises		Caritas PET Imaging LLC		Caritas Por Crista		Caritas Christi		Eliminations	Total
ASSETS																				
CURRENT ASSETS:																				
Cash and cash equivalents	\$ 84	\$ 1,789	\$ 5,653	\$ 112	\$ 1,132	\$ 530	\$ 1,677	\$ 167	\$ 46,189	\$ -	\$ -	\$ 57,333								
Short-term investments	-	265	600	-	650	-	-	-	-	-	-	12	1,270	-	-	-	12	-	-	1,270
Current portion of assets whose use is limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, less allowance for uncollectible accounts	-	259	1,510	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	7,589
Other accounts receivable	406	-	-	5	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	(94)
Other current assets	-	20	181	15	-	67	45	2	-	-	-	-	-	-	-	-	-	-	-	2,675
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,200)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,354)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,885)
Total current assets	490	2,333	7,944	132	1,782	600	2,722	177	96,537	(47,875)	64,862									
ASSETS WHOSE USE IS LIMITED:																				
Investments	-	-	9,734	-	155	-	-	-	1,533	-	11,422									
Funds held in trust under bond agreements	-	-	-	-	-	-	-	-	1,730	-	1,730									
Professional liability trust	-	-	-	-	-	-	-	-	-	-	-									
Temporarily restricted investments	-	-	-	-	-	-	-	-	-	-	-									
Permanently restricted investments	-	54	-	-	-	-	-	100	-	-	-									154
Total assets whose use is limited	-	54	9,734	-	155	-	-	100	3,263	-	13,306									
PROPERTY AND EQUIPMENT, Net	-	14	733	958	-	711	12	64	28,092	(1,525)	29,059									
OTHER ASSETS, Net	-	-	-	2,092	-	-	136	800	1,545	(51,336)	(46,763)									
Total Assets	\$ 490	\$ 2,401	\$ 18,411	\$ 3,182	\$ 1,937	\$ 1,311	\$ 2,870	\$ 1,141	\$ 129,457	\$ (100,736)	\$ 60,164									
LIABILITIES AND NET ASSETS																				
CURRENT LIABILITIES:																				
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 940	\$ (1,224)	\$ (284)									
Accounts payable and accrued expenses	636	349	1,630	449	17	302	1,299	27	55,715	(35,974)	24,450									
Current portion of estimated settlements with third-party payors	-	-	386	-	489	-	-	-	875	-	875									
Other current liabilities	-	-	-	-	-	-	-	-	13,405	(13,354)	51									
Total current liabilities	636	349	2,016	449	506	302	1,299	27	70,060	(50,552)	25,092									
OTHER LIABILITIES:																				
Long-term debt, net of current portion	-	-	-	-	-	-	-	-	8,552	(5,109)	3,443									
Estimated settlements with third-party payors, net of current portion	-	-	1,013	-	-	-	-	-	-	-	1,013									
Professional liability costs	-	-	-	1,219	-	2,108	213	951	-	(41,417)	(36,956)									
Other liabilities	-	-	-	-	-	-	-	-	-	-	-									
Total other liabilities	-	-	1,013	1,219	-	2,108	213	951	-	(41,417)	(36,956)									
Total liabilities	636	349	3,029	1,668	506	2,410	1,512	978	78,612	(97,378)	(7,678)									
NET ASSETS:																				
Unrestricted	(146)	1,977	15,382	1,514	1,429	(11,099)	1,358	(744)	50,835	(3,358)	67,148									
Temporarily restricted	-	21	-	-	2	-	-	807	10	-	840									
Permanently restricted	-	54	-	-	-	-	-	100	-	-	154									
Total net assets	(146)	2,052	15,382	1,514	1,431	(11,099)	1,358	163	50,845	(3,358)	68,142									
Total Liabilities and Net Assets	\$ 490	\$ 2,401	\$ 18,411	\$ 3,182	\$ 1,937	\$ 1,311	\$ 2,870	\$ 1,141	\$ 129,457	\$ (100,736)	\$ 60,164									

CARRIUS CHRISTLI
SUPPLEMENTAL CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2009
(In Thousands of Dollars)

	Carrus St. Elizabeth's	St. Anne's Healthcare	Carrus Valley Regional	Carrus Carmex	Carrus Norwood	Carrus Southwood	Carrus Good Samaritan Medical Ctr	Carrus Physician Initiatives	TRACCO	Other Entities & Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:											
Net patient service revenue	\$ 265,077	\$ 138,454	\$ 147,819	\$ 113,961	\$ 155,106	\$ -	\$ 194,057	\$ 113,798	\$ -	\$ 22,981	\$ 1,151,533
Premium revenue	121,685	8,332	5,025	11,883	2,602	-	6,462	36,157	4,003	(3,772)	121,916
Other revenue	7,306	-	-	-	-	-	-	-	1,274	(32,690)	42,904
Research	682	412	20	167	460	-	47	-	-	251	7,306
Net assets released from restrictions used for operations	-	-	-	-	-	-	-	-	-	-	2,069
Total unrestricted revenue and other support	403,032	142,455	152,894	126,011	158,468	-	200,566	150,255	5,277	(13,210)	1,325,728
EXPENSES:											
Salaries, wages and fringe benefits	159,934	67,094	79,574	74,006	92,642	(59)	100,907	129,774	-	59,648	763,520
Supplies and other expenses	125,964	55,777	55,351	39,180	49,981	84	71,806	26,099	5,277	(66,441)	363,378
Purchased provider services and other expenses related to premium revenue	69,333	-	-	-	-	-	-	-	-	-	(6,810)
Depreciation and amortization	15,576	5,386	6,331	2,950	6,239	-	7,058	1,188	-	6,042	50,770
Interest	5,908	1,489	2,466	1,093	2,481	-	1,906	704	-	(398)	15,649
Provision for bad debts	4,377	3,622	5,625	2,612	3,652	-	6,225	13,044	-	255	39,357
Total expenses	381,037	133,368	149,347	120,141	154,995	25	187,902	170,809	5,277	(7,701)	1,295,197
INCOME (LOSS) FROM OPERATIONS BEFORE GAIN ON SALE OF CNL-Net	21,995	9,087	3,517	5,870	3,473	(25)	12,664	(20,554)	-	(5,526)	30,531
GAIN ON SALE OF CNL-Net	23,780	-	-	-	-	-	-	-	-	-	23,780
INCOME (LOSS) FROM OPERATIONS AFTER GAIN ON SALE OF CNL-Net	45,775	9,087	3,517	5,870	3,473	(25)	12,664	(20,554)	-	(5,526)	54,311
NONOPERATING GAINS/(LOSSES), Net	(960)	1,465	544	799	420	-	326	-	536	(681)	2,449
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	44,815	10,552	4,091	6,669	3,893	(25)	12,990	(20,554)	536	(6,207)	56,760
OTHER CHANGES IN UNRESTRICTED NET ASSETS:											
Net change in unrealized gains and losses on investments	(1)	2	(62)	-	(4)	-	9	-	-	(2)	(58)
Pension liability adjustment	-	-	-	-	(18,244)	-	(7,105)	-	-	-	(25,349)
Pension liability adjustment due to change in measurement date	-	-	-	-	-	-	69	-	-	-	69
Net assets released from restrictions used for purchases of property and equipment	19,880	612	16	1,004	389	-	415	-	-	-	22,316
Contributions of property and equipment	537	(2,726)	-	300	(6,435)	-	(6,015)	23,345	-	-	837
Transfers to affiliate	(45,154)	(2,726)	(3,606)	(4,217)	(6,435)	-	(6,015)	23,345	-	-	44,808
Total other changes in unrestricted net assets	(24,738)	(2,112)	(3,652)	(2,913)	(24,294)	-	(12,627)	23,345	-	-	44,806
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 20,077	\$ 8,440	\$ 439	\$ 3,756	\$ (20,401)	\$ (25)	\$ 363	\$ 2,791	\$ 536	\$ 38,599	\$ 54,575

CARTAS CHRISTI
OTHERS & ELIMINATIONS
SUPPLEMENTAL CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2009
(In Thousands of Dollars)

	Caritas St. Joseph Nursing Care	Caritas Good Samaritan Hospital	Caritas Home Care	Caritas Other	Caritas Support Services	Health Care Enterprises	Caritas PET Imaging LLC	Caritas Por Criste	Caritas Christi	Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:											
Net patient service revenue	\$ -	\$ 2,782	\$ 21,404	\$ -	\$ 14	\$ -	\$ 5,391	\$ -	\$ -	\$ (6,810)	\$ 22,981
Premium revenue	-	-	-	-	-	-	-	-	-	(3,772)	(3,772)
Other revenue	-	78	23	1,314	1	-	434	626	64,991	(100,157)	(32,690)
Research	-	-	-	-	-	-	-	251	-	-	251
Net assets released from restrictions used for operations	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted revenue and other support	-	2,860	21,427	1,314	15	-	6,025	877	64,991	(110,739)	(13,230)
EXPENSES:											
Salaries, wages and fringe benefits	-	2,100	16,439	159	-	-	1,023	466	40,352	(891)	59,648
Supplies and other expenses	-	1,187	3,652	1,550	10	-	3,605	479	24,780	(101,704)	(66,441)
Purchased provider services and other expenses related to premium revenue	-	-	-	-	-	-	-	7	-	(6,810)	(6,810)
Depreciation and amortization	-	7	257	145	-	-	3	-	5,623	(6,042)	6,042
Interest	-	-	-	-	-	-	-	-	633	(398)	235
Provision for bad debts	-	5	60	1	-	-	189	-	-	-	-
Total expenses	-	3,299	20,408	1,855	10	-	4,820	932	71,390	(110,438)	(17,704)
INCOME (LOSS) FROM OPERATIONS BEFORE GAIN ON SALE OF CML-Net	-	(439)	1,019	(541)	5	-	1,205	(75)	(6,399)	(301)	(5,526)
GAIN ON SALE OF CML-Net	-	-	-	-	-	-	-	-	-	-	-
INCOME (LOSS) FROM OPERATIONS AFTER GAIN ON SALE OF CML-Net	-	(439)	1,019	(541)	5	-	1,205	(75)	(6,399)	(301)	(5,526)
NONOPERATING GAINS/(LOSSES), Net	-	135	220	-	52	-	-	-	(184)	(904)	(681)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	-	(304)	1,239	(541)	57	-	1,205	(75)	(6,583)	(1,205)	(6,207)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:											
Net change in unrealized gains and losses on investments	-	-	-	-	-	-	-	-	-	(2)	(2)
Pension liability adjustment	-	-	-	-	-	-	-	-	-	-	-
Pension liability adjustment due to change in measurement date	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions used for purchases of property and equipment	-	-	-	-	-	-	-	-	-	-	-
Contribution of property and equipment	-	-	-	-	-	-	-	-	-	-	-
Transfers to affiliate	-	-	-	538	-	-	(1,000)	-	44,270	1,000	44,808
Total other changes in unrestricted net assets	-	-	-	538	-	-	(1,000)	-	44,268	1,000	44,806
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ -	\$ (304)	\$ 1,239	\$ (3)	\$ 57	\$ -	\$ 205	\$ (75)	\$ 37,685	\$ (205)	\$ 38,599

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1-0107-0001-0001

