Sinai Health System and Affiliates

Consolidated Financial Report
June 30, 2013

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Sinai Health System
Chicago, Illinois

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sinai Health System and Affiliates as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, on July 1, 2012 the Corporation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.*

As discussed in Note 1 to the consolidated financial statements, effective January 16, 2013, the Corporation became the sole corporate member of Holy Cross Hospital and Affiliate.

McGladrey LLP

Chicago, Illinois
March 7, 2014

Sinai Health System and Affiliates

Consolidated Balance Sheets
June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 11,011	$ 8,851
Assets limited as to use		
Externally designated investments	1,283	4,272
Internally designated investments under self-insurance program	13	-
Investments	13,845	-
Patient accounts receivable, less allowances of $59,848 in 2013 and $28,277 in 2012	65,063	58,335
Notes receivable, current portion	3,700	7,825
Other accounts receivable	8,489	8,673
Prepaid expenses, inventories, and other	16,338	6,141
Total current assets	119,742	94,097
Assets Limited as to Use, net of amounts required to meet current liabilities		
Internally designated investments for capital program	12,492	11,948
Internally designated investments under self insurance program and other	9,470	-
Externally designated investments under debt agreements	8,956	14,910
Total assets limited as to use	30,918	26,858
Other Assets		
Deferred bond issuance costs, less amortization of $16 in 2013 and $754 in 2012	1,517	2,226
Notes receivable, long-term portion	14,829	11,670
Other investments	211	189
Other	9,084	10,139
Total other assets	25,641	24,224
Property and Equipment, net	221,751	113,193
Total assets	$ 398,052	$ 258,372

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Balance Sheets (Continued)
June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 57,080	$ 47,107
Accrued salaries and employee benefits	23,533	18,255
Amounts due to third-party payors	11,520	6,794
Self-insurance claims payable	3,644	2,217
Notes payable	6,895	2,001
Current maturities of long-term debt	5,470	4,586
Other current liabilities	16,467	11,447
Total current liabilities	124,609	92,407
Noncurrent Liabilities		
Long-term debt, less current maturities	90,496	98,023
Self-insurance claims payable, less current portion	57,399	48,658
Other	9,268	4,546
Total noncurrent liabilities	157,163	151,227
Total liabilities	281,772	243,634
Commitments and Contingencies (Notes 11 and 17)		
Net Assets		
Noncontrolling interest in subsidiary	385	245
Unrestricted	104,932	1,346
Temporarily restricted	10,963	13,147
	116,280	14,738
Total liabilities and net assets	$ 398,052	$ 258,372

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Unrestricted revenue and other support:		
Patient service revenue	$ 403,310	$ 347,231
Provision for bad debts	(48,701)	(24,760)
Net patient service revenue	354,609	322,471
Other revenue	31,974	21,030
Investment income	315	727
Contributions from the Jewish Federation of Metropolitan Chicago	701	744
Grant revenue	13,122	13,856
Net assets released from restrictions	756	236
Total unrestricted revenue and other support	401,477	359,064
Expenses:		
Salaries and wages	239,107	212,732
Supplies and purchased services	89,991	73,810
Depreciation and amortization	16,771	13,091
Insurance	10,134	10,754
Interest	4,218	5,375
Provider tax	23,012	17,081
Early extinguishment of debt (see Note 9)	5,102	-
Other	30,199	28,066
Total expenses	418,534	360,909
Loss from operations	(17,057)	(1,845)
Nonoperating losses before inherent contribution:		
Contributions	165	16
Investment income	2,085	794
Net change in unrealized gains and losses on investments	(334)	(230)
Contributions to other organizations	(1,700)	(1,700)
Other	(224)	730
Net income attributable to noncontrolling interest	(140)	(233)
Total nonoperating losses before inherent contribution	(148)	(623)
Deficit in excess of expenses before inherent contribution	(17,205)	(2,468)
Nonoperating gain - inherent contribution received in acquisition of Holy Cross Hospital (see Note 3):		
Inherent contribution received in acquisition of Holy Cross Hospital	115,502	-
Revenue in excess of (less than) expenses	$ 98,297	$ (2,468)

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Unrestricted net assets:		
Revenue in excess of (less than) expenses	**$ 98,297**	$ (2,468)
Other changes in unrestricted net assets	**(10)**	(115)
Net assets released from restriction used for capital purposes	**5,439**	-
Increase (decrease) in unrestricted net assets	**103,726**	(2,583)
Temporarily restricted net assets:		
Contributions	**1,797**	5,044
Net assets released from restriction used in operations	**(756)**	(236)
Net assets released from restriction used for capital purposes	**(5,439)**	-
Inherent contribution received in acquisition of Holy Cross Hospital (see Note 3)	**2,237**	-
Other changes in temporarily restricted net assets	**(23)**	(110)
(Decrease) increase in temporarily restricted net assets	**(2,184)**	4,698
Increase in net assets	**101,542**	2,115
Net assets, beginning of year	**14,738**	12,623
Net assets, end of year	**$ 116,280**	$ 14,738

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Cash Flows from Operating Activities		
Increase in net assets	$ 101,542	$ 2,115
Change attributable to noncontrolling interest	(140)	(122)
Increase in net assets after change attributable to noncontrolling interest	101,402	1,993
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,592	13,187
Provision for self-insurance in excess of amounts paid	983	2,738
Restricted contributions	(1,797)	(5,044)
Provision for bad debts	48,701	24,760
Inherent contribution received in acquisition of Holy Cross Hospital	(117,739)	-
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(44,663)	(30,019)
Investments	16,412	2,747
Amounts due to third-party payors, net	(4,253)	1,914
Prepaid expenses, inventories, and other current assets	(4,604)	(1,409)
Accounts payable, accrued expenses, and other current liabilities	3,236	(1,970)
Other noncurrent assets and liabilities	5,917	(520)
Net cash provided by operating activities	22,187	8,377
Cash Flows from Investing Activities		
Purchases of buildings and equipment	(23,001)	(11,403)
Purchases of investments	(31,604)	-
Proceeds from sale of investments	13,686	-
Increase (decrease) increase in notes receivable	966	(1,476)
Cash and cash equivalents acquired in acquisition of Holy Cross Hospital	21,411	-
Net cash used in investing activities	(18,542)	(12,879)
Cash Flows from Financing Activities		
Repayments of notes payable and long-term debt	(80,684)	(2,449)
Deferred financing costs paid	(1,533)	-
Proceeds from issuance of long-term debt	78,935	-
Proceeds from restricted contributions	1,797	5,044
Net cash (used in) provided by financing activities	(1,485)	2,595
Increase (decrease) in cash and cash equivalents	2,160	(1,907)
Cash and cash equivalents:		
Beginning of year	8,851	10,758
End of year	$ 11,011	$ 8,851

See Notes to Consolidated Financial Statements.

Sinai Health System and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 14,969	$ 5,591
Acquisition of Holy Cross Hospital (see Note 3):		
Fair value of assets acquired (including cash of $21,411)	$ 152,938	$ -
Payable to seller	(3,158)	-
Liabilities assumed	(32,041)	-
Inherent contribution received in acquisition of Holy Cross Hospital	$ 117,739	$ -

See Notes to Consolidated Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization and basis of consolidation: The consolidated financial statements include the accounts and transactions of Sinai Health System (the Corporation) and its affiliates. The Corporation is the sole corporate member of its affiliates. All significant intercompany transactions and balances have been eliminated in consolidation. The Corporation and its affiliates provide comprehensive health care services to residents of the Chicago metropolitan area.

Affiliates of the Corporation include:

- Mount Sinai Hospital Medical Center of Chicago and Subsidiaries (Mount Sinai) – Mount Sinai is a licensed 319-bed teaching, research, and tertiary-care facility that offers medical, surgical, behavioral health, therapeutic, and diagnostic services to meet the needs of the community and patients of the southwest side of Chicago. Subsidiaries of Mount Sinai include Sinai Community Pharmacy and Sinai Touhy Pharmacy which are wholly owned, and Hawthorne Works Medical Imaging, LLC which is a joint venture in which Mount Sinai has a controlling 51 percent ownership interest.
- Schwab Rehabilitation Hospital & Care Network (Schwab) – Schwab is a licensed 102-bed rehabilitation hospital that offers comprehensive inpatient and outpatient rehabilitation services for adults and children.
- Holy Cross Hospital and Affiliate (HCH) - Holy Cross Hospital (Holy Cross) is a 241 bed hospital facility that offers medical, surgical, behavioral health, therapeutic, emergency care, and diagnostic services to meet the needs of the community and patients of the Chicago Metropolitan area. Holy Cross Health Partners (HCHP), an Illinois for-profit corporation, is a wholly owned subsidiary of Holy Cross. HCHP's purpose is to administer and negotiate contracts on behalf of participating health care providers. HCH was acquired by the Corporation on January 16, 2013. See footnote 3 for further information.
- Mount Sinai Community Foundation dba Sinai Medical Group (SMG) – SMG is a physician group with over 200 physician specialists in more than 30 specialties, such as anesthesiology, cardiology, emergency medicine, endocrinology, gastroenterology, infectious disease, neurology, radiology, oncology, psychiatry, endocrinology, urology and neurosurgery. SMG physicians practice at clinics throughout the communities the System serves as well as on the Mount Sinai campus.
- Sinai Community Institute (SCI) – SCI is an organization that develops community-based health and social service programs designed to help families within the community improve their health and well-being through education, employment, wellness and nutrition.

A summary of significant accounting policies is as follows:

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the accompanying consolidated financial statements include contractual allowance reserves, allowances for uncollectible accounts and charity care, depreciation and amortization, amounts due to third-party payors and self-insurance claims payable.

Cash and cash equivalents: Cash and cash equivalents include highly liquid short-term investments with maturities of three months or less at the date of acquisition. The carrying value of cash equivalents approximates fair value. Throughout the year, the Corporation may have amounts on deposit with financial institutions in excess of those insured by the FDIC. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Assets limited as to use and investments: Assets limited as to use consist of investments set aside by the Board of Directors for future capital improvements and for endowment funds, over which the Board of Directors retains control and upon its discretion, subsequently use for other purposes. Additionally, assets limited as to use include investments held by trustees under debt agreements, self-insurance and employee benefit trust arrangements.

Investments are carried at fair value and all investments in debt securities are reported at fair value based on quoted market prices. The Corporation has designated its investment portfolio as trading, with unrealized gains and losses and investment income, which includes realized gains and losses, included in revenue in excess of expenses unless the income or loss is restricted by donor intent.

The Corporation invests in the Jewish Federation of Metropolitan Chicago Pooled Endowment Portfolio, LLC (PEP). The Jewish Federation of Metropolitan Chicago (Federation) is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, the Federation owned 85.4 percent of the PEP as of June 30, 2013, and the Corporation had approximately a 2.5 percent interest in the Federation's portion of the PEP.

The investment in the PEP is recorded at its estimated fair value based on a net asset value per share basis. The PEP invests in various types of investments including: mutual funds, equity and debt securities, alternative investments and other investment vehicles. The Corporation does not own or have any interest in the underlying investments held by the PEP. The Corporation has the ability to contribute or withdraw funds from its account on the first day of each month. Withdrawal requests are required to be submitted to the PEP in writing at least 15 days prior to the beginning of each month and withdrawals representing 80 percent or more of an investor's assets are paid within 60 days.

The PEP's investments in equity securities with readily determinable fair values and all debt securities are carried at fair value.

The PEP's investments in mutual funds and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices.

Alternative investments and other investment vehicles are stated at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as determined by the PEP. In determining fair value, the PEP utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of the PEP's alternative investments generally represents the amount expected to be received if the PEP were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess (deficit) of revenue over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the excess of revenue over expenses unless they do not meet the definition of trading securities.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Investments are regularly evaluated for impairment. The Hospital considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Hospital considers the length of time an investment's fair value has been below carrying value, the near-term prospects for recovery to carrying value, and the intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value and included as a realized loss in the excess of revenue over expenses.

Patient accounts receivable: Patient accounts receivable are stated at net realizable value. The Corporation maintains allowances for uncollectible accounts for estimated losses resulting from a payor's inability to make payment on accounts. The Corporation estimates the allowance for uncollectible accounts based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though the Corporation does not assess the patient's ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts). For uninsured patients that do not qualify for charity care, the Corporation establishes an allowance to reduce the carrying value of such receivables to their estimated net realizable value. Management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience. After satisfaction of amounts due from insurance, the Corporation follows established guidelines for placing certain past-due balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the Corporation. A significant portion of the Corporation's provision for doubtful accounts relates to self-pay patients, as well as co-payments and deductibles owed to the Corporation by patients with insurance. As of June 30, 2013 and 2012, the Corporation's allowance for doubtful accounts for self-pay was $23,427 and $11,751, respectively.

Inventories: Inventories are stated at the lower of cost, on the first-in, first-out method, or market.

Property and equipment: Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets ranging from 3 to 40 years using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets. No interest was capitalized during the years ended June 30, 2013 and 2012.

Asset impairment: The Corporation considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified. No impairments were identified during the years ended June 30, 2013 and 2012.

Deferred bond issuance costs: Bond issuance costs are deferred and amortized over the life of the related debt, using a method which approximates the effective interest method. During 2013, approximately $2,200 in bond issuance costs were written off as a result of a refunding.

Self-insurance liabilities: The Corporation's accruals for self-insurance represent the present value of the estimated liability for asserted professional malpractice and patient general liability claims. The provision is actuarially determined.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Non-controlling interest: Non-controlling interest represents the portion of net assets in the subsidiaries not attributable, directly or indirectly, to Mount Sinai. The profit or loss derived from the performance of the subsidiary is allocated to the excess of revenue over expenses attributable to the non-controlling interest in the consolidated statements of operations and changes in net assets.

Net assets: Resources are classified for reporting purposes into three net asset categories as unrestricted, temporarily restricted, and permanently restricted according to the absence or existence of donor-imposed restrictions. Temporarily restricted net assets are those assets, including contributions and accumulated investment returns, whose use has been limited by donors for a specific purpose or time period. During the year ended June 30, 2013, the Corporation was awarded a grant by the State of Illinois Department of Public Health in the amount of $7,000 to fund designated capital projects. The grant term begins July 1, 2011 and ends June 30, 2014. As of June 30, 2013, $7,000 of the grant had been received.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Corporation. The Corporation had no permanently restricted net assets at June 30, 2013 and 2012.

Net patient service revenue: The Corporation has agreements with various third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, per diem rates, and fee schedules. Net patient service revenue is reported at the estimated net amounts received or due from patients, third-party payors, and others for services rendered. These amounts include estimated adjustments under certain reimbursement agreements with third-party payors, which are subject to audit by the applicable administering agency. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

Medicare and Medicaid Electronic Health Records (EHR) incentive programs: The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid Incentive Programs beginning in federal fiscal year 2011 for eligible acute care hospitals that are meaningful users of certified EHR technology, as defined by the Federal Register. The Corporation has implemented certified EHR technology that has enabled them to demonstrate their meaningful use and to qualify for the Incentive Programs. The initial incentive payments received for both the Medicare and Medicaid EHR incentive programs are estimates based upon data from prior year's reimbursement reports. The final settlements will be determined after the submission of the current annual reimbursement reports and subsequent audits by the fiscal intermediary. The EHR Incentive Programs are expected to continue through September 30, 2014 and the incentive payments will be calculated annually. After that date, hospitals that are not meaningful users of certified users of certified EHR technology will be subject to a potential decrease in their Medicare and Medicaid payments.

The Corporation successfully registered for the Medicare EHR Incentive Program and completed the attestation process in the year ended June 30, 2013 after demonstrating the ninety days of continuous use as a meaningful user. The Corporation received $1,405 in the year ended June 30, 2013 and recorded the amount in other revenue for that year.

The Corporation successfully registered for the Illinois Medicaid EHR Incentive Program and completed the attestation process. For the years ended June 30, 2013 and 2012, the Corporation received $3,940 and $5,600, respectively and has recorded the entire amounts in other revenue in the years ended June 30, 2013 and 2012.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions: Contributions are reported as either temporarily or permanently restricted net assets if the contributions are received with donor stipulations. 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 accompanying consolidated statements of operations and changes in net assets as net assets released from restriction.

Unconditional promises to give cash or other assets are reported as pledges receivable and contributions at fair value at the date the promise is received, within the appropriate net asset class. At June 30, 2013 and 2012, pledges receivable were discounted at approximately 3.0 percent. The allowance for uncollectible pledges at June 30, 2013 and 2012 was $150 and $163, respectively.

Grant revenue: Grants are recognized as revenue when earned. Expense driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Charity care: The Corporation provides care to all patients regardless of their ability to pay who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Patients qualify for charity care under policies determined by the Board of directors and is based on criteria including patient income, family size, publicized poverty guidelines and other factors. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is measured based on the Corporation's estimated direct and indirect costs of providing charity care services. That estimate is made by calculating a ratio of cost to gross charges, applied to the uncompensated charges associated with providing charity care to patients. The amount of charity based on cost was $46,742 and $34,651 during the years ended June 30, 2013 and 2012, respectively.

Operating indicator: The Corporation's income from operations includes all unrestricted revenue, including investment income on trustee-held investments, other support, and expenses for the reporting period. Non-operating income includes non-operating gains and losses, contributions, investment income on board-designated and other investments, contributions to related parties, and other non-operating activities, which management views as outside of normal patient care related activities.

Revenue (deficit) in excess of expenses: The consolidated statements of operations and changes in net assets include revenue (deficit) in excess of expenses. Changes in unrestricted net assets, which are excluded from revenue in excess of expenses consistent with industry practice, include contributions of long-lived assets including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets.

Reclassifications: Certain amounts in the 2012 consolidated financial statements have been reclassified to conform with the 2013 presentation with no effect on net assets.

Income taxes: The Corporation, Mount Sinai, Schwab, Holy Cross, SMG, and SCI are tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and each as required files a Form 990 (Return of Organization Exempt from Income Tax) annually. HCHP files Federal and Illinois Forms 1120 (U.S. Corporation Income Tax Return) annually.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Corporation adopted FASB issued guidance for uncertainty in income taxes. This guidance prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Examples of tax positions common to health systems include such matters as the following: the tax-exempt status of each entity, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2013 and 2012, there were no unrecognized tax benefits identified and recorded.

Forms 990 and 1120 filed by the Corporation, Mount Sinai, Schwab, HCH, SMG, and SCI are subject to examination by the Internal Revenue Service (IRS) for up to three years from the extended due date of each return. Forms 990 and 1120 filed by the Corporation, Mount Sinai, Schwab, HCH, SMG, and SCI are no longer subject to examination for the years ended June 30, 2009 and prior since.

New accounting guidance: On July 1, 2012, the Corporation adopted ASU 2011-07, Health Care Entities (Topic 954) – *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities – a consensus of the FASB Emerging Issues Task Force.* ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay, to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, ASU 2011-07 requires those health care entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of this guidance resulted in a reduction of net patient service revenue, operating revenue and operating expense but had no impact on operating income in the statement of operations and changes in net assets. All periods presented have been reclassified in accordance with the provisions of ASU 2011-07. The adoption of this guidance also resulted in additional disclosures as presented in the patients accounts receivable.

Subsequent events: The Corporation has evaluated subsequent events for potential recognition and/or disclosures through March 7, 2014, the date the consolidated financial statements were issued.

(Dollars in Thousands)

Note 2. Financial Condition

The Corporation generated losses from operations totaling $17,057 and $1,845 for the years ended June 30, 2013 and 2012, respectively. The financial viability of the Corporation is largely dependent on the financial viability of its affiliates, Mount Sinai, Schwab, and HCH. For the years ended June 30, 2013 and 2012, Mount Sinai's losses from operations totaled $7,491 and $515, respectively. For the years ended June 30, 2013 and 2012, Schwab's losses from operations totaled $1,145 and $695, respectively. HCH's loss from operations for the period from January 16, 2013 to June 30, 2013 totaled $355.

In both fiscal 2013 and 2012, the Corporation's income from operations was impacted by enhanced net patient service revenue. For the years ended June 30, 2013 and 2012, Mount Sinai, Schwab and HCH, combined, received additional State of Illinois Department of Public Aid (IDPA) revenue of $54,995 and $40,431 for the years ended June 30, 2013 and 2012, respectively. These increases in revenue were partially offset by $23,012 and $17,081 in hospital provider tax assessments for the years ended June 30, 2013 and 2012, respectively, and by increases in uncompensated care. This program was renewed and extended through December 31, 2014. See Note 6 for further information.

The Corporation continues to be pressured by rising costs attributable to clinical labor (including physician, nursing, and certain ancillary staff), new technology, and higher uncompensated care. Additionally, the Corporation and its major affiliate, Mount Sinai, continue to be highly dependent on reimbursement from IDPA. Any future decline in reimbursement, continued significant cost increases, or continued growth in uncompensated care may require management and the Board of Directors to further realign or reduce services to the community.

Note 3. Business Acquisition

Effective January 16, 2013, the Corporation became the sole member of Holy Cross Hospital and affiliate. The fair value of assets acquired exceeded liabilities assumed resulting in an inherent contribution of $117,739, which is recorded as an inherent contribution received in acquisition of business in the consolidated statement of operations and changes in net assets for the year ended June 30, 2013. The seller was willing to accept minimal consideration for HCH as they felt becoming part of the Sinai Health System would enhance the ability of HCH to continue to operate as a Catholic hospital and to continue to serve the needs of the residents in the community. In addition, it was anticipated that this business combination would increase HCH's access to physician and medical services. Transaction costs totaled $400 and were incurred primarily for legal and consulting services and are recorded in supplies and purchased services in the consolidated statement of operations and changes in net assets.

Recognized amounts of identified assets acquired and liabilities assumed and related net asset classifications are shown below:

Cash and cash equivalents	$ 21,411	Accounts payable and accrued expenses	$ 12,371
Patient accounts receivable, net	10,766	Accrued postretirement benefits	1,506
Inventory	1,589	Due to third-party payors	8,979
Prepaid expenses and other	3,820	Professional liability	9,185
Assets whose use is limited, net	13,445	Total liabilities assumed	32,041
Property and equipment	101,907		
		Unrestricted net assets	118,660
		Temporarily restricted net assets	2,237
Total assets acquired	$ 152,938	Total identifiable net assets acquired	$ 120,897
		Consideration paid	$ 3,158

The operating results of HCH for the period January 16, 2013 to June 30, 2013 included total unrestricted revenue of $50,966, operating loss of $355 and excess of deficit over expenses of $429.

Note 3. Business Acquisition (Continued)

The Corporation will pay a stewardship fee of $300 per year in perpetuity that will enable Holy Cross Hospital to continue to operate as a Catholic institution. The liability is estimated at $3,158 which is the estimated present value of the stewardship fee using a weighted average cost of capital of 9.5%.

Note 4. Asset Retirement Obligations

In accordance with FASB issued guidance on, *Accounting for Conditional Asset Retirement Obligations*, the Corporation records all known asset retirement obligations for which the liability's fair value can be reasonably estimated, including certain asbestos removal costs. At June 30, 2013 and 2012, the Corporation had remaining asset retirement obligations of $3,304 and $3,117, respectively, which are recorded as other long-term liabilities in the consolidated balance sheets. The liability was estimated using an inflation rate of 3.44 percent and a discount rate of 6 percent. The asset retirement obligation will continue to accrete until 2016 at which time the Corporation expects to remediate the situation. The liability in 2016 will be approximately $3,933.

Note 5. Contractual Arrangements with Third-Party Payors

The Corporation provides care to certain patients under payment arrangements with Medicare, Medicaid, Blue Cross, and various managed care programs. At Mount Sinai, the Medicare program pays for inpatient, capital costs, and outpatient services at predetermined rates. Medical education costs are reimbursed at interim rates with annual settlements based on reimbursable costs. At Schwab, the Medicare program reimburses both inpatient and outpatient services, including capital costs, at predetermined rates. Medical education costs are reimbursed at interim rates with annual settlements based on reimbursable costs. The Medicaid program pays the Corporation for covered services at predetermined rates. Services provided to inpatients covered by the Blue Cross program are paid at interim rates with monthly settlements based upon predetermined rates. Reported costs and services provided under the reimbursement arrangements with Medicare, Medicaid, and Blue Cross are subject to audit or review by the administering agencies. Changes in the Medicare and Medicaid programs and reduction in funding levels could have an adverse effect on the Corporation.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Corporation also has contractual arrangements with various Health Maintenance and Preferred Provider Organizations, the terms of which call for the Corporation to be paid for covered services at negotiated rates.

Provisions have been made in the consolidated financial statements for contractual adjustments, representing the difference between the Corporation's standard charges for services and estimated payments received from payors. Net patient service revenue received under the Medicare and Medicaid reimbursement arrangements with Mount Sinai, HCH, and Schwab amounted to approximately $264,316 and $244,160 (excluding the hospital tax assessment program revenue discussed in Note 6) in the years ended June 30, 2013 and 2012, respectively. Revenue received under HMO/PPO arrangements amounted to approximately $59,700 and $44,574 in the years ended June 30, 2013 and 2012, respectively. The net patient service revenue increased by $2,614 and $1,948 in 2013 and 2012, respectively, as a result of third-party settlements and changes in estimates related to prior years.

(Dollars in Thousands)

Note 5. Contractual Arrangements with Third-Party Payors (Continued)

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party arrangements. Medicaid accounts receivable account for 61 percent and 59 percent of the Corporation's net accounts receivable at June 30, 2013 and 2012, respectively. Medicare accounts receivable account for 16 and 9 percent of the Corporation's net accounts receivable at June 30, 2013 and 2012, respectively.

Note 6. Illinois Provider Tax Assessment Program

The Corporation is part of the State of Illinois hospital tax assessment program which is administered by the Illinois Department of Public Aid. The laws and regulations authorizing this Program have been revised and extended for the period July 1, 2008 to December 31, 2014. There is no assurance of the continuation of this program after December 31, 2014. For the years ended June 30, 2013 and 2012, the Corporation has recorded $54,995 in 2013 and $40,431 in 2012, in assessment revenue (reported as net patient service revenue) and $23,012 and $17,081 in 2012, in provider tax expense (reported in other operating expenses). In the past, the State of Illinois has significantly delayed certain payments related to this program as well as collection of the related assessment tax. The State of Illinois' payment methodology is to make monthly payments, and as of June 30, 2013, the State of Illinois has been current in payments and collections related to this program. Although future payments cannot be assured, management believes that the assessment program's obligations will be fulfilled in the next year.

Note 7. Assets Limited as to Use and Investments

Assets limited as to use and investments consist of the following at June 30:

	Fair Value 2013	Fair Value 2012
Investment agreements	$ 231	$ 6,812
Cash equivalents - money market funds and mutual funds	3,297	1,281
United States Treasury securities	10,614	13,691
Federation pooled funds	17,668	7,234
Mutual funds invested in equity securities	10,308	1,698
Equities	4,152	603
	$ 46,270	$ 31,319

Total investment return for the years ended June 30 is as follows:

	2013	2012
Interest and dividend income	$ 1,941	$ 1,521
Net change in unrealized gains and losses on investments	(317)	(230)
	$ 1,624	$ 1,291
Reported as:		
Operating revenue	$ 315	$ 727
Nonoperating gains	1,751	564
	$ 2,066	$ 1,291

(Dollars in Thousands)

Note 8. Property and Equipment

Property and equipment consist of the following at June 30:

	2013	2012
Land and land improvements	$ 9,005	$ 6,325
Building and improvements	275,194	182,799
Equipment	146,765	115,915
Construction in progress	2,110	2,194
	433,074	307,233
Less accumulated depreciation and amortization	(211,323)	(194,040)
	$ 221,751	$ 113,193

Note 9. Long-Term Debt

Long-term debt consists of the following at June 30:

	2013	2012
Illinois Health Facilities Authority FHA Insured Mortgage Revenue Refunding Bonds, Series 2003, 1.37% to 5.15%, payable in semiannual installments with maturities through 2037	$ -	$ 85,135
Illinois Health Facilities Authority FHA Insured Mortgage Revenue Refunding Bonds, Series 2012, 3.03%, payable in semiannual installments with maturities through 2036	78,750	-
Northern Trust Company, term loan, variable rate (0.628% at June 30, 2012) matured October 2012 and was paid off	-	5,684
JPMorgan Chase Bank, N.A., term loan, variable rate (1.1875% at June 30, 2013) maturing November 2015	5,684	-
Illinois Development Finance Authority Revenue Bonds Series 1997, variable rate (0.54% and 0.36% at June 30, 2012 and 2011, respectively) maturing March 1, 2022	5,000	5,000
Capital lease obligations	6,336	6,587
Other	196	203
	95,966	102,609
Less current maturities	(5,470)	(4,586)
	$ 90,496	$ 98,023

Note 9. Long-Term Debt (Continued)

In December 2003, the Illinois Health Facilities Authority, on behalf of the Corporation, issued $97,505 in Illinois Health Facilities Authority Federal Housing Authority (FHA) Insured Mortgage Revenue Refunding Bonds, Series 2003 (Series 2003 Bonds). The proceeds from the sale of the Series 2003 Bonds were used to pay certain expenses incurred in connection with the issuance of the Series 2003 Bonds, to refund the outstanding principal amount of other bonds, and to add the debt service reserve fund for the benefit of the Series 2003 Bond closing. In November 2012, the Illinois Health Facilities Authority, on behalf of the Corporation, issued $78,935 in Illinois Health Facilities Authority Federal Housing Authority (FHA) Insured Mortgage Revenue Refunding Bonds, Series 2012 (Series 2012 Bonds). The proceeds from the sale of the Series 2012 Bonds were used to pay certain expenses incurred in connection with the issuance of the Series 2012 Bonds and to extinguish the Series 2003 Bonds. Early extinguishment of debt expense of $5,102 was incurred related to the extinguishment of the Series 2003 Bonds.

Under the terms of a master trust indenture, the Corporation, Mount Sinai, and Schwab form the Obligated Group, $2,552 and $6,640 was held on deposit with a trustee for bond redemption and interest payments at June 30, 2013 and 2012. Additionally, hospitals insured by the U.S. Department of Housing and Urban Development (HUD) under Section 242 of the National Housing Act are required to fund a Mortgage Reserve Fund. Mount Sinai and Schwab make quarterly deposits to the fund. At June 30, 2013 and 2012, the fund had a balance of $6,404 and $8,270, respectively.

Substantially all of the assets of the Corporation secure the outstanding bonds. The terms of the agreements require quarterly financial reporting measures, as well as audited consolidated financial statements to be prepared.

The agreement requires that an insurance certificate be obtained evidencing that the liability insurance is fully funded. As of June 30, 2013, this insurance certificate was not obtained as the liability insurance is not fully funded. The Corporation worked with HUD and the bond trustees to address the self-insurance trust deficiency and instituted a corrective action plan. The Corporation was not in compliance with this requirement but has obtained notification from the bond trustees that the cure period has been extended indefinitely and that no event of default has occurred so long as the cure period is in effect.

In July 2008, Mount Sinai and SMG's outstanding portion of the Series 2002 bonds were placed in a term loan with the Northern Trust Company in a principal amount of $5,915. This note was reduced to $5,684 in 2010. Under the terms of the agreement, interest is payable monthly, at a rate based on a 30-day LIBOR (.195 percent at June 30, 2013) plus 100 basis points. The loan with Northern Trust matured on October 12, 2012. JPMorgan Chase issued a term loan that expires November 30, 2015. The loan is guaranteed by the Jewish Federation of Metropolitan Chicago (the Federation). There are no funds held on deposit with a trustee for the years ended June 30, 2013 and 2012.

During 1997, SCI issued $5,000 in bonds through the Illinois Development Finance Authority. The bonds are guaranteed by the Federation. There is a $5,186 irrevocable transferable letter of credit related to the 1997 bonds and it matures on November 19, 2015. There were no amounts outstanding at June 30, 2013 or 2012 under this letter of credit.

(Dollars in Thousands)

Note 9. Long-Term Debt (Continued)

Future maturities of long-term debt are as follows:

Year ending June 30:	
2014	$ 5,470
2015	4,407
2016	8,865
2017	2,939
2018	2,929
Thereafter	71,356
	$ 95,966

At June 2013 and 2012, the Corporation had outstanding irrevocable letters of credit, other than the letters of credit related to the Series 1997 and Series 2002 debt disclosed above, totaling $3,254 and $3,274, respectively. No amounts were outstanding under the letters of credit at June 30, 2013 and 2012.

Capital lease obligations relate to certain equipment which Mount Sinai leases under various lease agreements that expire through 2018. The net carrying value of this equipment was $8,283 and $7,733 at June 30, 2013 and 2012, respectively. The Corporation has capital lease obligations outstanding of $6,336 and $6,587 at June 30, 2013 and 2012, respectively.

Future minimum payments under capital lease obligations with initial or remaining terms of one year or more consist of the following at June 30, 2013:

2014	$ 3,267
2015	1,983
2016	676
2017	350
2018	260
Total future minimum lease payments	6,536
Less amount representing interest	(200)
Present value of future minimum lease payments	$ 6,336

Note 10. Notes Payable

Mount Sinai and SMG have revolving credit agreements, which allows it to borrow principal amounts up to $4,000 each. Interest on amounts borrowed is at adjusted LIBOR rates (0.20 percent at June 30, 2013); and Prime rate plus 1% (4.25% at June 30, 2013), respectively. Mount Sinai had $4,000 and $2,001 outstanding under the credit agreement at June 30, 2013 and 2012, respectively. SMG had $2,900 and $0 outstanding under the credit agreement at June 30, 2013 and 2012, respectively.

Note 11. Insurance

Effective June 1, 1976, Mount Sinai, and effective July 1, 1985, Schwab, became self-insured for professional malpractice and patient general liability claims and for the costs of claims administration and defense. Effective November 1, 2003, the Corporation does not maintain a commercial excess insurance policy. The Corporation has retained all risk for claims occurring subsequent to this date. The liability for self-insured risks is based on a report of consulting actuaries that is updated annually to reflect the Corporation's actual experience. Obligations for self-insured liabilities were approximately $44,238 and $44,015 as of June 30, 2013 and 2012, respectively. The provision is actuarially determined. The undiscounted amount of these claims was $61,082 and $50,827 at June 30, 2013 and 2012, respectively. The interest rate used to discount these claims was 4.00 and 4.75 percent at June 30, 2013 and 2012, respectively. The claims that are expected to be paid within 12 months are classified as current liabilities in the accompanying consolidated financial statements. Claims expected to be paid after 12 months are classified as noncurrent.

SMG has purchased professional malpractice insurance for employed physicians on a claims-made basis with annual limits of $1,000 per occurrence and $3,000 in the aggregate, per physician. The policy term extends through June 30, 2013.

SMG management is not aware of any factors that would cause insurance expense to vary materially from the amounts provided. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the policy's term, but reported subsequently, may not be insured. Estimated provisions for incurred but not reported claim expenses have been provided for based on SMG's historical claims experience and amounted to approximately $7,295 and $6,860 at June 30, 2013 and 2012, respectively. The undiscounted amount of these claims was $8,042 and $7,872 at June 30, 2013 and 2012, respectively. The interest rate used to discount these claims was 4.00 and 4.75 percent at June 30, 2013 and 2012, respectively.

Since June 1, 1979, the HCH's primary professional and general liability coverage has been provided through the Chicago Hospital Risk Pooling Program (CHRPP) with 13 other participating hospitals. CHRPP is a self-insured trust that provides coverage, after a nominal deductible, through the use of a fund specific to each participating hospital and two pooled funds, which include all CHRPP participating hospitals. Excess insurance coverage is purchased from a commercial insurance company. Required reserves and contributions by participating hospitals are determined annually by an independent actuary based on claim experience, investment performance and assumed self-insured retentions. The required contributions are subject to future retrospective adjustments. Effective January 1, 2003, CHRPP changed its coverage from occurrence basis to claims-made and HCH has established a tail liability related to this change in coverage. Additionally, effective January 1, 2011, the CHRPP program ceased offering coverage for new claims, and is now in run-off mode until all active claims are resolved. As a result, HCH is providing medical malpractice coverage through a self-insured trust effective January 1, 2011. The Hospital is self-funded for the first $4,000 per claim with a $12,000 annual aggregate limit. Excess insurance coverage is $10,000 for the primary layer, and an additional $10,000 secondary level has been purchased with a $20,000 aggregate limit per year.

HCH's accrued professional and general liability claim losses have been discounted at 4.0 percent at June 30, 2013 and is based on actuarial central estimate (a confidence level of between 55% and 60%). If accrued professional liability losses had not been discounted, the estimated liability would be approximately $2,180 higher than the amounts reported in the consolidated balance sheet as of June 30, 2013. The portion of the accrual for estimated professional and general liability claims expected to be paid within one year of the balance sheet dates is not readily determinable, and therefore, the entire accrual balance is classified as a noncurrent liability.

Note 11. Insurance (Continued)

HCH incurred self-insured professional and general liability expense of approximately $1,468 that has been included in supplies, utilities and other in the accompanying consolidated statements of operations and changes in net assets. For the purposes of the incurred but not reported (IBNR) calculation, HCH assumed potential losses at the level of $3,000 for the period ended June 30, 2013.

HCH has recorded a reserve for incurred but not reported claims at June 30, 2013 of $9,510 related to its estimated tail liability.

Note 12. Employee Benefit Plans

The Corporation participates in a multi-employer defined-contribution plan covering substantially all full-time employees who have completed one year of service. Matching contributions are based on each participant's contribution. Contributions are based on each participant's salary level. Retirement benefits are funded as accrued through the selected retirement plan vendor. A retirement plan for union employees of the Corporation, covered by a collective bargaining agreement negotiated with SEIU-HC, is also in place.

Schwab has a defined-contribution (money purchase) plan covering substantially all of its full-time employees. Contributions are based on each participant's income level. Insurance annuity contracts are purchased for individuals who retire. Schwab funds the plan's costs as accrued.

The Corporation recorded expense of $1,245 and $1,954 for the years ended June 30, 2013 and 2012, respectively, related to these plans.

In addition, SMG has a nonqualified deferred compensation plan as the primary vehicle for a physician retirement savings plan. Participation in the plan is voluntary and is open to all eligible physicians. Plan investments are held by a trustee and are the property of SMG until the funds are withdrawn by a participant. The consolidated balance sheets include plan investments reflected as other noncurrent assets and the corresponding obligations are reflected as other noncurrent liabilities in the amount of $1,048 and $918 at June 30, 2013 and 2012, respectively. The plan is funded by the participants.

HCH has a noncontributory postretirement health plan that covers approximately one hundred current and retired employees. HCH has recorded a current liability of $222 and a long-term liability of $1,161 as of June 30, 2013 related to the postretirement health benefits.

HCH has a 401(k) defined contribution retirement plan which is available to all employees after one month of service who work at least 1,040 hours per year and are at least 18 years old. HCH does not currently contribute to the plan so there was no expense for the year ended June 30, 2013.

Note 13. Notes Receivable and Transactions With Other Organizations

Access Community Health Network (Access) is a private community health center organization formerly affiliated with the Corporation. Access and the Corporation collaborate to provide health care services and improve the health of citizens living in the metropolitan Chicago area serviced by the Corporation and Access.

During the years ended June 30, 2013 and 2012, the Corporation provided certain services totaling $3,503 and $3,297, respectively, to Access. Additionally, the Corporation provided contributions to Access totaling $1,700 for the years ended June 30, 2013 and 2012, respectively, for uncompensated care. Also, the Corporation charges Access interest on the amounts due to the Corporation and all amounts owed to the Corporation are documented and supported by underlying contractual agreements. The annual interest rate was 5 percent for the years ended June 30, 2013 and 2012. Interest income was $982 and $1,005 for the years ended June 30, 2013 and 2012, respectively. Amounts due from Access are reported as notes receivable current and long-term in the accompanying consolidated balance sheets, and mature at various times, ranging from due upon demand to June 30, 2016.

Access management is disputing the validity and amount of the notes receivable. The Corporation has had ongoing communications with Access regarding this matter and as of June 30, 2013 no valuation allowance is deemed necessary. The Corporation has retained counsel and upon counsel's review of certain records and other information they have concluded that Access's disputes are invalid. As of June 30, 2013 no civil lawsuit has been filed regarding this matter.

Note 14. Temporarily and Permanently Restricted Net Assets

The Corporation's endowment consists of an endowment development program with donated funds which was established to support Mount Sinai. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment includes permanently and temporarily donor-restricted principal. Income earned on the principal is unrestricted and can be used for general operating expenses and maintenance of Mount Sinai.

On June 30, 2009, the governor of the State of Illinois signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA differs from laws previously in place in a few key areas. It eliminates the historic dollar value rule with respect to endowment fund spending, it updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modification of restrictions on charitable funds.

Interpretation of Relevant Law – The Board of Directors of the Corporation has interpreted the Illinois UPMIFA as requiring 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, the Corporation 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. In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purpose of the Corporation 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) Other resources of the Corporation, and;
7) The investment policies of the Corporation.

(Dollars in Thousands)

Note 14. Temporarily and Permanently Restricted Net Assets (Continued)

The Organization's endowment net asset composition by type of fund is as follows for the years ended June 30, 2013 and 2012:

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Board-designated	2,056	-	-	2,056	2,004	-	-	2,004
Total funds	$ 2,056	$ -	$ -	$ 2,056	$ 2,004	$ -	$ -	$ 2,004

The changes in endowment net assets of the Corporation were as follows for the years ended June 30, 2013 and 2012:

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,004	$ -	$ -	$ 2,004	$ 1,967	$ -	$ -	$ 1,967
Other changes:								
Withdrawals	(100)	-	-	(100)	-	-	-	-
Investment return:								
Investment gain	152	-	-	152	37	-	-	37
Endowment net assets, end of year	$ 2,056	$ -	$ -	$ 2,056	$ 2,004	$ -	$ -	$ 2,004

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no deficiencies in the endowment fund as of June 30, 2013 and 2012.

Return Objectives and Risk Parameters – The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to achieve an annualized long-term average return of nominal percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Corporation does not have a spending policy relating to its endowment; however, there are policies and procedures in place to ensure that expenditures are used to properly support hospital operations.

(Dollars in Thousands)

Note 14. Temporarily and Permanently Restricted Net Assets (Continued)

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

	2013	2012
Scholarships	$ 148	$ 163
Research	24	29
Health care services	1,032	4,395
Purchase of property and equipment	9,759	8,560
	$ 10,963	$ 13,147

Net assets were released from donor restrictions by incurring expenditures for the following purposes during the years ended June 30:

	2013	2012
Purchase of property and equipment	$ 5,439	$ -
Health care services	756	236
Total net assets released from restriction	$ 6,195	$ 236

Note 15. Leases

Future minimum payments under non-cancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2014	$ 755
2015	771
2016	771
2017	759
2018	759
Total	$ 3,815

Rental expense under operating leases amounted to $1,170 and $1,119 for the years ended June 30, 2013 and 2012, respectively.

(Dollars in Thousands)

Note 16. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to this, general and administrative, and fundraising functions are as follows for the years ended June 30:

	2013	2012
Health care services	$ 397,095	$ 342,579
General and administrative	20,811	17,765
Fundraising	628	565
	$ 418,534	$ 360,909

Certain costs have been allocated between health care services and general and administrative costs.

Note 17. Commitments and Contingencies

Litigation – In addition to professional liability claims, the Corporation is involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Corporation's consolidated financial position, results of operations and cash flows.

Illinois Hospital Uninsured Patient Discount Act – As part of the package of hospital legislation that passed the Illinois General Assembly the last week of May, Senate Bill 3261 amends the Illinois Hospital Uninsured Patient Discount Act. All hospitals will need to provide a 100% discount for medically necessary services exceeding three hundred dollars to uninsured patients who are Illinois residents, who apply for the discount and have a family income of up to 200% of the federal poverty level (FPL) at urban hospitals and 125% of the FPL at rural and critical access hospitals.

Regulatory Environment Including Fraud and Abuse Matters – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material adverse effect on the Corporation have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or un-asserted at this time.

CMS Recovery Audit Contractor Program – Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. CMS rolled out this program nationally, in Illinois during the fiscal year ended June 30, 2010. At June 30, 2013 and 2012, the Corporation recorded a liability for estimated amounts that will be repaid under the RAC program based on the Corporation's RAC program experience to date.

Note 17. Commitments and Contingencies (Continued)

Medicare and Medicaid Reimbursement – The Governor of Illinois recently signed into law the budget for the State's fiscal year ending June 30, 2013, which reduces Medicaid appropriations to hospitals in the upcoming year. These reductions are expected to delay Medicaid payments into the State's fiscal year 2014 and the potential to cut spending in the upcoming year. For non-expedited hospitals, payments based on claims will be held for the first one hundred and sixty days of the State fiscal year, whereas, for expedited hospitals such as Mount Sinai and Schwab, payments will be based on a twelve day cycle beginning in August based on their claims. In addition to delayed Medicaid payments, deep cuts to both the Medicare and Medicaid programs are under consideration by the U.S. Congress as it looks to cut federal spending. Such cuts in Medicaid and Medicare reimbursement, if enacted, could have a significant adverse effect on the Corporation's consolidated financial statements.

Property and Sales Tax Exemption – On June 14, 2012, the Governor of Illinois signed into law legislation that governs property and sales tax exemption for not-for-profit hospitals. The law took effect on the date it was signed. Under the law, in order to maintain its property and sales tax exemption, the value of specified services and activities of a not-for-profit hospital must equal or exceed the estimated value of the hospital's property tax liability, as determined under a formula in the law. The specified services are those that address the health care needs of low-income or underserved individuals or relieve the burden of government with regard to health care services, and include: the cost of free or discounted services provided pursuant to the hospital's financial assistance policy; other unreimbursed costs of addressing the health needs of low-income and underserved individuals; direct or indirect financial or in-kind subsidies of State and local governments; the unreimbursed cost of treating Medicaid and other means-tested program recipients; the unreimbursed cost of treating dual-eligible Medicare/Medicaid patients; and other activities that the Illinois Department of Revenue determines relieve the burden of government or address the health of low-income or underserved individuals. Management believes that the Corporation meets the requirements under the law to maintain its property and sales tax exemption.

Construction in Progress – Construction in progress as of June 30, 2013, consists primarily of costs related to the expansion of the third floor of the Sinai Community Institute Building for the movement of the clinics out of the Kling Building. The projected was completed by June 30, 2013. Construction in progress as of June 30, 2013, consists primarily of additional projects that have been committed to of approximately $2,000,000.

Proposed Project – In January 2014, HCH submitted a plan to the Illinois Health Facilities Services and Review Board to add a new inpatient mental health unit. If approved, the unit would consist of 50 beds and would cost approximately $8.5 million.

(Dollars in Thousands)

Note 18. Fair Value Disclosures

Fair value is 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 determining fair value, the Corporation uses various methods including market, income and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis – The tables below present the balances of assets and liabilities measured at fair value on a recurring basis, as of June 30, 2013 and 2012.

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investment agreements	$ 231	$ -	$ -	$ 231
Cash equivalents - money market funds and mutual funds	3,297	-	-	3,297
United States Treasury securities	10,614	-	-	10,614
Federation pooled funds	-	-	17,668	17,668
Mutual funds invested in equity securities	10,308	-	-	10,308
Equities	508	3,644	-	4,152
	$ 24,958	$ 3,644	$ 17,668	$ 46,270

(Dollars in Thousands)

Note 18. Fair Value Disclosures (Continued)

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investment agreements	$ 6,812	$ -	$ -	$ 6,812
Cash equivalents - money market funds and mutual funds	1,281	-	-	1,281
United States Treasury securities	13,691	-	-	13,691
Federation pooled funds	-	-	7,234	7,234
Mutual funds invested in equity securities	1,698	-	-	1,698
Equities	603	-	-	603
	$ 24,085	$ -	$ 7,234	$ 31,319

Investment agreements consist primarily of guaranteed investment contracts.

The Corporation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Corporation's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended June 30, 2013 and 2012 there were no such transfers.

Investment transactions and related income: The Corporation records security transactions on a trade-date basis. Realized gains and losses on investment transactions and change in unrealized appreciation and depreciation on investments are reported as net income or loss on investment transactions. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

The following table presents a reconciliation of activity for the Level 3 financial instruments invested in the PEP:

	2013 Federation	2012 Federation
Balance, July 1	$ 7,234	$ 11,191
Sale of investment securities	(99)	(4,092)
Purchase of investment securities	10,000	106
Realized gains	410	-
Unrealized gains	71	-
Dividends and interest	52	29
Balance, June 30	$ 17,668	$ 7,234

(Dollars in Thousands)

Note 18. Fair Value Disclosures (Continued)

Gains and losses above relate to assets still held at June 30, 2013 and 2012, and are recorded on the consolidated statement of operations and changes in net assets for the years ended June 30, 2013 and 2012, as follows:

	2013	2012
Investment income-operating	$ 462	$ 340
Net change in unrealized gains and losses on investments	71	(311)
	$ 533	$ 29

The Corporation, as an investor in the PEP, enters into transactions with a variety of securities and derivative financial instruments, including exchange-traded future and options contracts. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the consolidated statement of financial position.

Concentration of credit risk: In the event the Federation does not fulfill its obligations, the Corporation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Federation attempts to minimize this credit risk by monitoring the creditworthiness of its counterparties.

Market risk of investment in the PEP: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the overall exposure to market risk. The Federation attempts to control the PEP's exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. Within the PEP, the Federation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Federation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges.

Investments in funds: The managers of underlying investment funds in which the PEP invests may utilize derivative instruments with off-balance-sheet risk. The Corporation's exposure to risk is limited to its allocable share of the PEP's investment.

(Dollars in Thousands)

Note 18. Fair Value Disclosures (Continued)

As of June 30, 2013 and 2012, the pooled funds of the Federation were invested as follows:

	2013 Percentage of Total Pooled Fund	2012 Percentage of Total Pooled Fund	Approximate Hierarchy Level within the Pooled Fund
Money market funds	3 %	2 %	1
Precious metals	3	-	1
Mutual funds and other investment vehicles			
Domestic equity - large capitalization	12	12	1-2
Domestic equity - small capitalization	6	5	1-2
International equity	15	14	1-2
Domestic fixed income	8	8	1
International fixed income	5	5	2
Alternative investments			
Absolute return hedge funds	14	18	2-3
Real asset funds (real estate, energy and natural resources)	20	21	3
Private equity and fund-of-funds	14	15	3
Total	100 %	100 %	

Fair Value of Financial Instruments – The following methods and assumptions were used by the Corporation to estimate the fair value of other financial instruments not detailed above.

The carrying values of cash and cash equivalents, patient accounts receivable, other accounts receivable, accounts payable and accrued expenses, and amounts due to third-party payors are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

The fair value of the long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to market participants for debt of the same remaining maturities. The approximate fair value of outstanding debt and notes payable at June 30, 2013 and 2012, was $103,000 and $108,000, respectively.

Note 19. Subsequent Event

Subsequent to June 30, 2013 Holy Cross Hospital entered into an agreement with Onset Financial, Inc. (Onset) to obtain financing for information technology equipment. The agreement with Onset is for $10,000 of financing related to the implementation of the Medical Information Technology System (Meditech). The repayment term is $188 per month for sixty months including interest based on the U.S. Treasury yield.

McGladrey

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Sinai Health System
Chicago, Illinois

We have audited the consolidated financial statements of the Sinai Health System Affiliates as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Chicago, Illinois
March 7, 2014

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet
June 30, 2013
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Holy Cross Hospital and Affiliate	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Assets								
Current Assets								
Cash and cash equivalents	$ 340	$ 2,874	$ 572	$ 6,943	$ 19	$ 263	$ -	$ 11,011
Assets limited as to use								
Externally designated investments	-	1,267	16	-	-	-	-	1,283
Internally designated investments under self-insurance program	-	13	-	-	-	-	-	13
Investments	-	-	-	13,845	-	-	-	13,845
Patient accounts receivable, less allowances for uncollectible accounts	-	29,949	5,959	12,593	16,562	-	-	65,063
Due from affiliates	-	6,376	49,566	-	-	-	(55,942)	-
Notes receivable, current portion (ACHN)	903	1,242	-	-	1,555	-	-	3,700
Other accounts receivable	354	1,717	110	2,075	3,028	1,205	-	8,489
Prepaid expenses, inventories, and other	247	12,022	1,302	2,597	135	35	-	16,338
Total current assets	1,844	55,460	57,525	38,053	21,299	1,503	(55,942)	119,742
Assets Limited as to Use, net of amounts required to meet current liabilities								
Internally designated investments for capital program	-	9,551	2,941	-	-	-	-	12,492
Internally designated investments under self-insurance program and other	-	-	-	9,470	-	-	-	9,470
Externally designated investments under debt agreements	-	6,792	2,164	-	-	-	-	8,956
Total assets limited as to use	-	16,343	5,105	9,470	-	-	-	30,918
Other Assets								
Deferred bond issuance costs, less amortization	-	1,136	356	-	-	25	-	1,517
Notes receivable, long-term portion (ACHN)	3,007	6,160	415	-	5,171	76	-	14,829
Investment in Holy Cross Hospital	117,739	-	-	-	-	-	(117,739)	-
Other investments	-	-	211	-	-	-	-	211
Other	5,606	1,382	68	-	2,029	(1)	-	9,084
Total other assets	126,352	8,678	1,050	-	7,200	100	(117,739)	25,641
Property and Equipment, net	8,805	82,979	17,277	103,223	4,355	5,112	-	221,751
Total assets	$ 137,001	$ 163,460	$ 80,957	$ 150,746	$ 32,854	$ 6,715	$ (173,681)	$ 398,052

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet (Continued)
June 30, 2013
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Holy Cross Hospital and Affiliate	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	$ 3,256	$ 45,627	$ 473	$ 5,642	$ 1,928	$ 154	$ -	$ 57,080
Accrued salaries and employee benefits	673	9,938	1,929	5,843	4,998	152	-	23,533
Amounts due to third-party payors	-	1,599	542	9,379	-	-	-	11,520
Due to affiliates	2,823	-	-	97	239,986	14,906	(257,812)	-
Self-insurance claims payable	-	3,029	432	-	183	-	-	3,644
Notes payable	-	3,995	-	-	2,900	-	-	6,895
Current maturities of long-term debt	913	3,889	618	-	50	-	-	5,470
Other current liabilities	1,879	10,867	1,240	222	1,973	286	-	16,467
Total current liabilities	9,544	78,944	5,234	21,183	252,018	15,498	(257,812)	124,609
Noncurrent Liabilities								
Long-term debt, less current maturities	607	65,173	18,495	-	1,221	5,000	-	90,496
Self-insurance claims payable, less current portion	-	38,007	2,770	9,510	7,112	-	-	57,399
Due to affiliates	-	-	-	-	-	-	-	-
Other	525	2,726	650	4,319	1,048	-	-	9,268
Total noncurrent liabilities	1,132	105,906	21,915	13,829	9,381	5,000	-	157,163
Total liabilities	10,676	184,850	27,149	35,012	261,399	20,498	(257,812)	281,772
Net Assets (Deficit)								
Noncontrolling interest in subsidiary	-	385	-	-	-	-	-	385
Unrestricted	115,101	(22,442)	53,278	115,007	(228,597)	(13,783)	86,368	104,932
Temporarily restricted	11,224	667	530	727	52	-	(2,237)	10,963
	126,325	(21,390)	53,808	115,734	(228,545)	(13,783)	84,131	116,280
Total liabilities and net assets (deficit)	$ 137,001	$ 163,460	$ 80,957	$ 150,746	$ 32,854	$ 6,715	$ (173,681)	$ 398,052

Sinai Health System and Affiliates

Details of Consolidated Schedule of Operations
Year Ended June 30, 2013
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Holy Cross Hospital and Affiliate	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Unrestricted revenue and other support:								
Patient service revenue	$ -	$ 269,078	$ 39,783	$ 43,140	$ 51,309	$ -	$ -	$ 403,310
Provision for bad debts	-	(46,931)	(1,027)	(4,039)	(21,879)	(61)	25,236	(48,701)
Net patient service revenue	-	222,147	38,756	39,101	29,430	(61)	25,236	354,609
Other revenue	27,973	13,561	857	11,769	22,687	728	(45,601)	31,974
Investment income	-	181	134	-	-	-	-	315
Contributions from the Jewish Federation of Metropolitan Chicago	-	701	-	-	-	-	-	701
Grant revenue	1,719	4,479	41	-	968	5,915	-	13,122
Net assets released from restrictions	329	258	67	96	6	-	-	756
Total unrestricted revenue and other support	30,021	241,327	39,855	50,966	53,091	6,582	(20,365)	401,477
Expenses:								
Salaries and wages	15,737	116,609	24,457	25,659	69,271	5,245	(17,871)	239,107
Supplies and purchased services	5,783	73,488	7,166	19,483	5,689	1,177	(22,795)	89,991
Depreciation and amortization	2,435	9,123	1,190	3,226	561	236	-	16,771
Insurance	-	4,486	568	-	5,068	12	-	10,134
Interest	41	4,064	934	9	(4)	29	(855)	4,218
Provider tax	-	16,853	3,215	2,944	-	-	-	23,012
Early extinguishment of debt	-	3,811	1,291	-	-	-	-	5,102
Other	6,725	20,384	2,179	-	4,848	996	(4,933)	30,199
Total expenses	30,721	248,818	41,000	51,321	85,433	7,695	(46,454)	418,534
Income (loss) from operations	(700)	(7,491)	(1,145)	(355)	(32,342)	(1,113)	26,089	(17,057)
Nonoperating (losses) gains:								
Contributions	161	4	-	-	-	-	-	165
Investment income	-	493	239	271	1,082	-	-	2,085
Net change in unrealized gains and (losses) on investments	61	24	(48)	(371)	-	-	-	(334)
Contributions to other organizations	-	(1,700)	-	-	-	-	-	(1,700)
Affiliate interest income	-	-	855	-	-	-	(855)	-
Inherent contribution received in acquisition of Holy Cross Hospital	115,502	-	-	-	-	-	-	115,502
Other	-	(272)	-	26	22	-	-	(224)
Net income attributable to noncontrolling interest	-	(140)	-	-	-	-	-	(140)
Total nonoperating (losses) gains	115,724	(1,591)	1,046	(74)	1,104	-	(855)	115,354
Revenue in excess of (less than) expenses	$ 115,024	$ (9,082)	$ (99)	$ (429)	$ (31,238)	$ (1,113)	$ 25,234	98,297

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet
June 30, 2012
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 1,326	$ 6,052	$ 772	$ 260	$ 441	$ -	$ 8,851
Assets limited as to use							
Externally designated investments	-	3,521	751	-	-	-	4,272
Patient accounts receivable, less allowances	-	35,583	5,986	16,766	-	-	58,335
Due from affiliates	-	1,825	52,273	-	-	(54,009)	89
Notes receivable, current portion	1,951	5,241	415	6,967	76	-	14,650
Other accounts receivable	334	2,900	168	3,234	1,862	-	8,498
Prepaid expenses, inventories, and other	288	5,265	334	162	-	-	6,049
Total current assets	3,899	60,387	60,699	27,389	2,379	(54,009)	100,744
Assets Limited as to Use, net of amounts required to meet current liabilities							
Internally designated investments for capital program	-	9,224	2,724	-	-	-	11,948
Externally designated investments under debt agreements	-	12,196	2,714	-	-	-	14,910
Total assets limited as to use	-	21,420	5,438	-	-	-	26,858
Other Assets							
Deferred bond issuance costs, less amortization	-	1,604	594	-	28	-	2,226
Notes receivable, long-term portion	2,045	2,978	-	-	-	-	5,023
Other investments	-	-	189	-	-	-	189
Other	5,401	2,159	(101)	2,651	29	-	10,139
Total other assets	7,446	6,741	682	2,651	57	-	17,577
Property and Equipment, net	8,302	79,103	18,190	1,842	5,756	-	113,193
Total assets	$ 19,647	$ 167,651	$ 85,009	$ 31,882	$ 8,192	$ (54,009)	$ 258,372

Sinai Health System and Affiliates

Details of Consolidated Balance Sheet (Continued)
June 30, 2012
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable and accrued expenses	$ 2,391	$ 39,919	$ 946	$ 3,558	$ 293	$ -	$ 47,107
Accrued salaries and employee benefits	828	10,461	1,854	4,848	264	-	18,255
Amounts due to third-party payors	-	3,216	3,578	-	-	-	6,794
Due to affiliates	4,287	-	-	211,685	15,122	(231,094)	-
Self-insurance claims payable	-	1,544	529	144	-	-	2,217
Notes payable	-	2,001	-	-	-	-	2,001
Current maturities of long-term debt	591	3,356	483	156	-	-	4,586
Other current liabilities	1,780	6,848	683	1,953	183	-	11,447
Total current liabilities	9,877	67,345	8,073	222,344	15,862	(231,094)	92,407
Noncurrent Liabilities							
Long-term debt, less current maturities	646	70,930	20,224	1,223	5,000	-	98,023
Self-insurance claims payable,							-
less current portion	-	39,581	2,362	6,715	-	-	48,658
Due to affiliates	-	-	-	-	-	-	-
Other	432	2,579	617	918	-	-	4,546
Total noncurrent liabilities	1,078	113,090	23,203	8,856	5,000	-	151,227
Total liabilities	10,955	180,435	31,276	231,200	20,862	(231,094)	243,634
Net Assets (Deficit)							
Noncontrolling interest in subsidiary	-	245	-	-	-	-	245
Unrestricted	77	(17,156)	53,377	(199,367)	(12,670)	177,085	1,346
Temporarily restricted	8,615	4,127	356	49	-	-	13,147
	8,692	(12,784)	53,733	(199,318)	(12,670)	177,085	14,738
Total liabilities and net assets (deficit)	$ 19,647	$ 167,651	$ 85,009	$ 31,882	$ 8,192	$ (54,009)	$ 258,372

Sinai Health System and Affiliates

Details of Consolidated Schedule of Operations
Year Ended June 30, 2012
(Dollars in Thousands)

	Sinai Health System	Mount Sinai Hospital Medical Center and Subsidiaries	Schwab Rehabilitation Hospital	Sinai Community Foundation	Sinai Community Institute	Eliminations	Consolidated
Unrestricted revenue and other support:							
Patient service revenue	$ -	$ 266,113	$ 40,001	$ 41,117	$ -	$ -	$ 347,231
Provision for bad debts	-	(38,291)	(1,184)	(8,186)	(199)	23,100	(24,760)
Net patient service revenue	-	227,822	38,817	32,931	(199)	23,100	322,471
Other revenue	22,933	14,861	507	21,259	725	(39,255)	21,030
Investment income	-	552	175	-	-	-	727
Contributions from the Jewish Federation of Metropolitan Chicago	-	744	-	-	-	-	744
Grant revenue	2,383	4,776	254	344	6,335	-	14,092
Net assets released from restrictions	-	-	-	-	-	-	-
Total unrestricted revenue and other support	25,316	248,755	39,753	54,534	6,861	(16,155)	359,064
Expenses:							
Salaries and wages	14,275	119,966	25,126	64,438	4,931	(16,004)	212,732
Supplies and purchased services	3,037	75,596	7,554	4,537	1,414	(18,328)	73,810
Depreciation and amortization	2,198	9,014	1,207	455	217	-	13,091
Insurance	-	6,003	(46)	4,783	14	-	10,754
Interest	34	4,952	1,182	9	53	(855)	5,375
Provider tax	-	13,938	3,143	-	-	-	17,081
Other	6,122	19,801	2,282	3,742	1,042	(4,923)	28,066
Total expenses	25,666	249,270	40,448	77,964	7,671	(40,110)	360,909
Income (loss) from operations	(350)	(515)	(695)	(23,430)	(810)	23,955	(1,845)
Nonoperating gains (losses):							
Contributions	-	13	-	-	3	-	16
Investment income	-	547	37	210	-	-	794
Net change in unrealized gains and losses on investments	-	(152)	(78)	-	-	-	(230)
Contributions to related party		(1,007)	-	-	-	-	(1,007)
Affiliate interest income	-	-	855	-	-	(855)	-
Other	-	18	-	19	-	-	37
Net income attributable to noncontrolling interest	-	(233)	-	-	-	-	(233)
	-	(814)	814	229	3	(855)	(623)
Revenue in excess of (less than) expenses	$ (350)	$ (1,329)	$ 119	$ (23,201)	$ (807)	$ 23,100	(2,468)

Sinai Health System and Affiliates

Schedule of Charity Care and Community Benefits
Years Ended June 30, 2013 and 2012
(Dollars in Thousands) - Unaudited

The Corporation provides care to patients who meet certain criteria under its free care policy without charge or at amounts less than its established rates. Since the Corporation does not pursue collection of these amounts, they are not reported as revenue.

The amount of charges forgone for services and supplies furnished under the Corporation's free care policy totaled $193,934 and $134,805 during the years ended June 30, 2013 and 2012, respectively.

In addition, the Corporation is involved in many unsponsored community benefits. Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs, not provided for marketing purposes and that meet at least one of the following criteria: (1) generate a low or negative margin, (2) respond to the needs of special populations, (3) supply services or programs that would likely be discontinued, or would need to be provided by another not-for-profit or government provider if the decision was made on a purely financial basis, (4) respond to public health needs, and/or (5) involve education or research that improves overall community health.

Benefits for the poor include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for health care services because they have inadequate resources and/or are uninsured or underinsured.

Benefits for the broader community refer to persons in the general community, beyond and including those in target populations. Most services for the broader community are aimed at improving the health and welfare of the overall community.

Traditional charity care is free or discounted health services provided to persons who cannot afford to pay and who meet the Corporation's criteria for financial assistance.

The following is a summary of the Corporation's community benefits for the years ended June 30, 2013 and 2012, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with the Community Benefits Act (Public Act 93-480):

Sinai Health System and Affiliates

Schedule of Charity Care and Community Benefits (Continued)
Years Ended June 30, 2013 and 2012
(Dollars in Thousands) - Unaudited

	2013 Total Community Benefit	% of Total Expenses	2012 Total Community Benefit	% of Total Expenses
Benefits for the poor, at cost				
Traditional charity care	$ 46,742	8.8 %	$ 34,651	8.5 %
Benefits for the poor				
Community services:				
Unpaid costs of Medicaid	4,509	0.9	-	0.0
Community health services	1,550	0.3	1,563	0.4
Health professions education	2,681	0.5	1,877	0.5
Subsidized health services	28,727	5.4	20,628	5.1
Research	112	0.0	100	0.0
Grants and donations	1,700	0.3	1,700	0.4
Community benefit operations	19	0.0	19	0.0
Total community services for the poor	39,298	7.4	25,887	6.4
Total benefits for the poor	86,040	16.2	60,538	14.9
Benefits for the broader community				
Community services:				
Unpaid costs of Medicaid	6,393	1.2	-	0.0
Community health services	2,197	0.4	2,125	0.5
Health professions education	3,801	0.7	2,552	0.6
Subsidized health services	705	0.1	-	0.0
Research	159	0.0	136	0.0
Community benefit operations	27	0.0	27	0.0
Total benefits for the broader community	13,282	2.4	4,840	1.1
Total community benefits	99,322	18.6	65,378	16.0
Bad debt expense*	34,735	6.6	16,574	4.1
Total community benefits including bad debt expense	$ 134,057	25.2 %	$ 81,952	20.1 %

* Bad debt expense converted to cost would be $8,922 for June 30, 2013 and $4,257 at June 30, 2012. Therefore, if bad debt expense were converted to cost, the total community benefits would be as follows:

	2013	2012
Total community benefits, per above	$ 99,322	$ 65,378
Bad debt expense, at cost	8,922	4,257
Total community benefits including bad debt expense	$ 108,244	$ 69,635