



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Saint Raphael Healthcare System, Inc. and Subsidiaries
as of September 30, 2012 and for the Period from August 29,
2012 to September 30, 2012 and for the Period from October
1, 2011 to August 28, 2012
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

As of September 30, 2012 and the Period from August 29, 2012 to September 30, 2012 and for
the Period from October 1, 2011 to August 28, 2012

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Report of Independent Auditors

The Board of Trustees
Saint Raphael Healthcare System, Inc. and Subsidiaries

We have audited the consolidated statement of net assets in liquidation of Saint Raphael Healthcare System, Inc. and Subsidiaries (the “System”) as of September 30, 2012, and the related consolidated statement of changes in net assets in liquidation for the period from August 29, 2012 to September 30, 2012. In addition, we have audited the consolidated statement of operations, changes in net assets, and cash flows for the period from October 1, 2011 to August 28, 2012. These financial statements are the responsibility of the System’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the consolidated financial statements, the Board of Trustees of the System approved a plan of liquidation on August 28, 2012, and the System commenced liquidation shortly thereafter. As a result, the System has changed its basis of accounting for periods subsequent to August 28, 2012 from the going-concern basis to a liquidation basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated net assets in liquidation of Saint Raphael Healthcare System, Inc. as of September 30, 2012, the consolidated changes in its net assets in liquidation for the period from August 29, 2012 to September 30, 2012, and the consolidated results of its operations, changes in its net assets and its cash flows for the period from October 1, 2011 to August 28, 2012, in conformity with accounting principles generally accepted in the United States applied on the bases described in the preceding paragraph.



August 13, 2013

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidated Statement of Net Assets in Liquidation
(Liquidation Basis)

September 30, 2012
(In Thousands)

Assets

Cash and cash equivalents	\$	101,898
Patient receivables, net		26,746
Due from Yale-New Haven Hospital		12,240
Other receivables		4,049
Restricted assets		25,804
Other assets		1,143
Total assets		<u>171,880</u>

Liabilities

Payables and accruals		16,791
Accrued costs of liquidation		31,668
Postretirement benefit obligations		100,737
Liabilities subject to regulatory determination		22,404
Total liabilities		<u>171,600</u>
Net assets in liquidation	\$	<u>280</u>

See accompanying notes

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidated Statement of Changes in Net Assets in Liquidation
(Liquidation Basis)

Period From August 29, 2012 to September 30, 2012

	Total	Unrestricted	Temporarily Restricted Specific Purpose	Permanently Restricted Endowment
	<i>(In Thousands)</i>			
Net (deficiency) assets at August 28, 2012 (going concern basis)	\$ (35,481)	\$ (66,431)	\$ 14,452	\$ 16,498
Excess of expenses over revenues during liquidation	(2,572)	(2,572)	-	-
Net assets released from restrictions, used in operations	(767)	-	(767)	-
Affiliation transaction with Yale-New Haven Hospital	10,063	10,063	-	-
Net assets released from restrictions for capital and other purposes	-	100	(100)	-
Restricted investment income	830	-	729	101
Change in unrealized gains and losses on investments	(870)	-	(791)	(79)
Restricted gifts, grants, and bequests	(2,621)	-	444	(3,065)
Change in postretirement benefit plans' liability to be recognized in future periods	1,732	1,732	-	-
Transfers between funds	-	2,297	(1,855)	(442)
Adjustment of pension liability to net realizable value	51,691	51,691	-	-
Reclassification of restricted funds to liabilities subject to regulatory determination	(21,725)	-	(8,712)	(13,013)
Change in net assets in liquidation - August 29, 2012 to September 30, 2012	35,761	63,311	(11,052)	(16,498)
Net (liabilities) assets in liquidation at September 30, 2012	\$ 280	\$ (3,120)	\$ 3,400	\$ -

See accompanying notes.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidated Statement of Operations

(Going Concern Basis)

Period From October 1, 2011 to August 28, 2012

(In Thousands)

Unrestricted revenues, gains, and other support:	
Net patient service revenue	\$ 452,009
Provision for bad debts	(14,629)
Net patient service revenue less provision for bad debts	<u>437,380</u>
Other revenues, net	21,939
Net assets released from restrictions, used in operations	<u>4,720</u>
Total unrestricted revenues and other support	<u>464,039</u>
Expenses:	
Compensation, related fringe benefits, and fees	330,377
Supplies and other non-salary costs	124,971
Depreciation and amortization	13,374
Interest	<u>2,486</u>
Total operating expenses	<u>471,208</u>
Operating loss	<u>(7,169)</u>
Nonoperating income, net	<u>1,110</u>
Net loss before change in unrealized gains and losses on investments	(6,059)
Change in unrealized gains and losses on investments	<u>1,988</u>
Net loss	<u><u>\$ (4,071)</u></u>

See accompanying notes.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidated Statement of Changes in Net Assets
(Going Concern Basis)

Period From October 1, 2011 to August 28, 2012

	Total	Unrestricted	Temporarily Restricted Specific Purpose	Permanently Restricted Endowment
	<i>(In Thousands)</i>			
Net (deficiency) assets at September 30, 2011	\$ (24,920)	\$ (61,657)	\$ 20,776	\$ 15,961
Net loss	(4,071)	(4,071)	-	-
Net assets released from restrictions for capital purposes	-	7,454	(7,454)	-
Change in unrealized gains and losses on investments	1,308	-	1,121	187
Restricted gifts, grants, and bequests	3,649	-	3,663	(14)
Restricted investment income	1,430	-	1,066	364
Net assets released from restrictions, used in operations	(4,720)	-	(4,720)	-
Change in postretirement benefit plans' liability to be recognized in future periods	(8,157)	(8,157)	-	-
Change in net assets	(10,561)	(4,774)	(6,324)	537
Net (deficiency) assets at August 28, 2012	\$ (35,481)	\$ (66,431)	\$ 14,452	\$ 16,498

See accompanying notes.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
(Going Concern Basis)

Period From October 1, 2011 to August 28, 2012
(In Thousands)

Cash flows from operating activities	
Change in net asset (deficiency)	\$ (10,561)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Noncash items:	
Depreciation and amortization	13,374
Change in unrealized gains and losses on investments	(3,296)
Restricted gifts, grants, and bequests	(3,649)
Restricted investment loss	(1,430)
Change in postretirement benefit plans' liability	8,157
Nonoperating income, net	(1,110)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Patient care receivables	(6,720)
Other receivables	2,412
Other assets	(2,465)
(Decrease) increase in:	
Accounts payable and other accruals	(2,439)
Estimated workers' compensation liabilities	(1,315)
Postretirement benefit obligations	3,037
Other long-term liabilities	5,962
Net cash used in operating activities	<u>(43)</u>
Cash flows from investing activities	
Decrease in investments	93
Decrease in assets limited as to use, net	7,750
Nonoperating income, net	1,110
Restricted investment loss	1,430
Capital expenditures, net	(8,410)
Net cash provided by investing activities	<u>1,973</u>
Cash flows from financing activities	
Restricted gifts, grants, and bequests	3,649
Principal payments of long-term debt	(5,990)
Net cash used in financing activities	<u>(2,341)</u>
Net decrease in cash and cash equivalents	(411)
Cash and cash equivalents, September 30, 2011	<u>33,763</u>
Cash and cash equivalents, August 28, 2012	<u>\$ 33,352</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u>\$ 2,470</u>

See accompanying notes.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2012
(Dollars in Thousands)

1. Organization and Affiliation Transaction

Organization

The accompanying consolidated financial statements include the accounts of Saint Raphael Healthcare System, Inc., a tax-exempt, nonstock holding company, and its subsidiaries (collectively, the System). The active subsidiaries through September 11, 2012 included Hospital of Saint Raphael (the Hospital), a tax-exempt tertiary care hospital, including its wholly owned subsidiaries, Lukan Indemnity Company, Ltd. (Lukan) and Caritas Insurance Company, Ltd. (Caritas); Saint Regis Health Center, Inc., d/b/a Sister Anne Virginie Grimes Health Center (the Center), a tax-exempt, skilled nursing facility; Saint Raphael Foundation, Inc. (the Foundation), a tax-exempt, fund-raising foundation; Saint Raphael Healthcare System Affiliated Physicians, Inc. (Affiliated Physicians), a tax-exempt medical foundation; and DePaul Health Services Corporation (DePaul), a tax-exempt holding company. All material intercompany transactions have been eliminated in consolidation.

In conjunction with the Affiliation Transaction discussed below, the stock of Lukan and Caritas were sold. DePaul was dissolved on September 28, 2012.

Affiliation Transaction

At 12:01 am on September 12, 2012, the System sold the majority of the assets of the Hospital (including the stock of Lukan and Caritas) and the Center, the restricted assets of the Foundation and certain assets of DePaul (collectively, the “Affiliation Transaction”) to Yale-New Haven Hospital (a 966-bed not-for-profit hospital located in New Haven, Connecticut (Y-NHH) and its parent company (Yale-New Haven Health Services Corporation)). As a result of the finalization of certain outstanding regulatory, financial and legal matters related to this transaction as of August 28, 2012, the System adopted the liquidation basis of accounting for the presentation of consolidated financial statements for the period beginning with this date (see Note 2, Significant Accounting Policies). The Board of Trustees adopted the final resolutions approving the Affiliation Transaction on August 30, 2012.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Affiliation Transaction (continued)

As a result of the Affiliation Transaction, the System received \$160.0 million from Y-NHH for certain assets acquired and certain liabilities assumed. The proceeds were utilized for the following: advance refund the System's tax exempt debt (\$62.5 million); prepay the purchase of information technology, revenue cycle and other services from Y-NHH through the liquidation period (\$7.0 million); fund the multi-employer pension plan withdrawal liability for certain workers covered by a union pension plan (\$6.5 million); provide funding for post-retirement benefit plan obligations; and establish liabilities to allow for the orderly wind-down of operations (estimated through calendar year 2014).

Included in the determination of the Affiliation Transaction proceeds, Y-NHH acquired certain assets of the System (including inventory, property and equipment, captive insurance company assets, amounts due from third party payers, joint venture investments and certain other assets) and assumed certain liabilities of the System (including acquired-employee accrued vacation, workers compensation self insured and large deductible program liabilities, amounts due to third party payers, captive insurance company obligations, and certain other liabilities).

The System recorded the following accrued costs of liquidation to allow for the orderly wind-down of operations (included as a component of the Affiliation Transaction with Y-NHH in the consolidated statement of changes in net assets in liquidation for the period from August 29, 2012 to September 30, 2012), as follows:

	Accrued at Affiliation Transaction	Outstanding at September 30, 2012
Salaries, wages and fringe benefits	\$ 21,399	\$ 18,129
Legal, consulting and litigation	7,602	7,716
Insurance	1,550	624
All other costs	3,840	5,199
	<u>\$ 34,391</u>	<u>\$ 31,668</u>

The net result of the Affiliation Transaction is a System-wide increase to net assets of \$10,063 (consolidated Hospital increase to net assets of \$21,848, net of Center decrease to net assets of \$4,335, DePaul decrease to net assets of \$7,284 and a Parent System decrease to net assets of \$166).

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Affiliation Transaction (continued)

For the period from August 29, 2012 through September 11, 2012, the System continued to provide patient care operations. Results of operations for this period are reflected in the accompanying consolidated statement of changes in net assets in liquidation as excess of expenses over revenues during liquidation.

Liabilities Subject to Regulatory Determination

Temporarily and permanently restricted net assets of the Hospital and the Foundation at September 30, 2012 are pending transfer under the terms of the Affiliation Transaction agreements. The Attorney General of the State of Connecticut must review all restrictions on these net assets, with a cy-pres action in Connecticut Superior Court probable for some of these restricted amounts. The expectation is that these funds will ultimately transition to Y-NHH at the completion of this process, except for \$3,400 advanced to Y-NHH under the terms of the Affiliation Transaction agreements. Accordingly, \$21,725 of restricted net assets have been reclassified as liabilities subject to regulatory determination in the accompanying consolidated statement of net assets in liquidation and are no longer reflected as a component of the System's net assets.

The Foundation was the beneficiary of an endowment gift to support cancer care in strict accordance with the Ethical and Religious Directives for Catholic Health Care Services promulgated by the U.S. Conference of Catholic Bishops. While Y-NHH has committed to operating the former Saint Raphael campus in accordance with such restrictions, the lack of catholic sponsorship of Y-NHH resulted in the reversion of the beneficial interest in these funds to the donor. Accordingly, permanently restricted net assets reflect a reduction of approximately \$3,065 in the accompanying consolidated statement of changes in net assets in liquidation.

Due from Y-NHH

Under the terms of the Affiliation Transaction agreements, certain amounts are due to the System by Y-NHH. Of the amount due from Yale-New Haven Hospital reflected in the accompanying statement of net assets in liquidation as of September 30, 2012, \$10,000 represents deferred Affiliation Transaction proceeds (\$5,000 due in October 2012 with the completion of lien release

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Affiliation Transaction (continued)

work and \$5,000 due in February 2013 with the filing of the final Medicare cost report); subsequent to September 30, 2012 all requirements for the payment of these amounts by Y-NHH have been fulfilled. The remainder of the balance due as of September 30, 2012 primarily reflects net amounts due to the System for certain in-house patients as of the Affiliation Transaction date.

2. Significant Accounting Policies

Basis of Accounting

Effective as of August 28, 2012, the System adopted the liquidation basis of accounting. Under the liquidation basis of accounting, the System accrued for the estimated remaining costs to be incurred during the liquidation period, which is a component of the Affiliation Transaction with Y-NHH increase in net assets reported in the consolidated statement of changes in net assets in liquidation. To record liabilities at estimated settlement amounts under the liquidation basis of accounting, the System adjusted its defined benefit retirement plan liability based on the ultimate amounts estimated to be available for deposit into the retirement plan trust (see Note 6, Postretirement Benefits). The liquidation basis of accounting requires many estimates and assumptions, and there are substantial uncertainties in carrying out the orderly wind-down of operations. The actual values and costs may differ from the amounts recorded. Changes in the estimated net realizable value of retained assets and liabilities, contractual liabilities and estimated costs through the liquidation date will be recorded in the period such changes are known. The accompanying consolidated statement of net assets in liquidation contains, in the opinion of management, all adjustments that management considers necessary to present fairly the net assets available in liquidation at September 30, 2012.

The consolidated financial statements of the System for the period October 1, 2011 through August 28, 2012 were prepared on the going-concern basis of accounting, which contemplated the realization of assets and satisfaction of liabilities in the normal course of business. The following significant policies are applicable to the accompanying consolidated financial statements which are presented on a liquidation basis of accounting or going concern basis of accounting as noted in the statements included herein.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and related notes, such as: estimated uncollectible amounts for patient receivables; estimated receivables and payables to and from third-party payers; and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Management believes the amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material effect on the System's consolidated financial position.

Cash and Cash Equivalents

The System reports all unrestricted highly liquid investments with an initial maturity of three months or less as a component of cash and cash equivalents. Total deposits with financial institutions at times exceed the amount insured by federal agencies and, therefore, bear a risk of loss.

Inventories of Supplies

Inventories, consisting mainly of medical and surgical supplies, were stated at the lower of average cost or market determined by the first-in, first out method prior to the adoption of the liquidation basis of accounting. Upon the adoption of the liquidation basis of accounting, inventories were evaluated for adjustment to the lesser of carrying value or estimated liquidation value.

Pledges Receivable

The Foundation recognizes pledges on the accrual basis, net of estimated uncollectible amounts and net present value discounts on long-term pledges receivable. The net present value discount reserve was based on a range of 4% to 5% that was applied to estimated future cash collections as of September 30, 2012. Upon the adoption of the liquidation basis of accounting, pledges receivable were evaluated for adjustment to the lesser of carrying value or estimated liquidation value.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net pledges receivable of \$595 are included in Restricted Assets in the accompanying consolidated statement of net assets in liquidation and are reported at net realizable value at September 30, 2012.

Property and Equipment

Property and equipment acquisitions were recorded at cost prior to the adoption of the liquidation basis of accounting. In connection with adoption of the liquidation basis of accounting, the system recorded property and equipment at its estimated liquidation value, which approximated its book value. Depreciation of property and equipment was provided on the straight-line method over the estimated useful lives of the various assets (or for capitalized leases, the lesser of the estimated useful lives of the asset or the lease term, whichever is shorter), with half-year depreciation generally recorded in the year of acquisition and disposition. The American Hospital Association recommended lives were primarily used and provided for lives of 25 to 50 years for buildings and 3 to 20 years for building fixtures and equipment.

Investments

The System's investments and assets limited as to use were a trading portfolio, with the change in unrealized gains and losses on unrestricted investments included in the performance indicator.

Investments in equity securities with readily determinable fair values and all investments in debt securities were measured at fair value at the balance sheet date. Fair value was determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest income, and dividends) and unrealized gains and losses on investments were included in the performance indicator, unless the income or loss is restricted by donor or law.

When investments were received as a donation or bequest, the fair value was recorded as the cost of the investment. Interest, dividends, and realized gains or losses were recorded in unrestricted net assets unless otherwise restricted by the contributors. Restricted investment income was added directly to the appropriate restricted net asset fund.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

As of September 30, 2012 the System held no assets other than monetary assets. For such monetary assets and liabilities, the carrying value approximates fair value based on current market conditions.

Assets Limited as to Use

Assets limited as to use included certain funds held in escrow pursuant to tax-exempt bond agreements, funds held in trust for estimated workers' compensation liabilities, donor-restricted investments of the Foundation, and others (primarily the assets of Lukan and Caritas).

Net Assets

Separate accounts were maintained by the System to ensure compliance with restrictions imposed by contributors on the use of donated funds.

Contributions, including unconditional promises to give cash and other assets, were reported at fair value on the date received. The gifts were reported as either temporarily or permanently restricted if they were received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected in temporarily restricted net assets and net assets released from restrictions in the accompanying consolidated financial statements. As discussed in Note 1 (Organization and Affiliation Transaction), these net assets have been reclassified as liabilities subject to regulatory determination as of September 30, 2012.

Temporarily restricted net assets are those assets whose use has been limited by donors for a specific purpose. Permanently restricted net assets must be maintained by the System in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets used in operations were reclassified and reported in the consolidated financial statements as net assets released from restrictions. As discussed in Note 1 (Organization and Affiliation Transaction), these net assets have been reclassified as liabilities subject to regulatory determination as of September 30, 2012.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Other Revenues

Other revenues primarily consisted of transactions unrelated to the specific health care activities of the System and included nonpatient revenues from occupational health, parking, cafeteria, and other sources, including investment gains and losses on certain unrestricted investments. Investment gains and losses from the workers' compensation trust fund investments are included in other revenues, net, in the accompanying consolidated statement of operations (going-concern basis). Investment income, net was \$35 for the period from October 1, 2011 to August 28, 2012.

Nonoperating Income

Nonoperating income, net, primarily consisted of unrestricted investment income, including realized gains and losses, and the results of nonpatient care operations of certain affiliates.

Unrestricted income from the System's investments is included as nonoperating income, net in the accompanying consolidated statement of operations. The components of nonoperating income for the period from October 1, 2011 to August 28, 2012 are summarized as follows:

Hospital:	
Income from assets limited as to use and other unrestricted funds	\$ 52
Unrestricted income from trust and endowment funds	218
Other subsidiaries' nonpatient care operations	839
Nonoperating income, net	<u>\$ 1,110</u>

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is net loss, which for the period from October 1, 2011 to August 28, 2012 includes all changes in unrestricted net assets other than the change in postretirement benefit plans' liability and net assets released from restrictions for capital purposes.

Income Taxes

The System, the Hospital, Caritas, the Center, the Foundation, DePaul, and Affiliated Physicians are tax-exempt organizations exempt from federal income tax on related income as described in Section 501(c)(3) of the Internal Revenue Code. Lukan was nontaxable under Bermuda law.

3. Net Patient Service Revenue

Revenues from the Medicare and Medicaid programs accounted for 45.0% and 11.5%, respectively, of the System's net patient service revenue for the period October 1, 2011 to August 28, 2012. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it was 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 are outstanding, 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. As part of the Affiliation Transaction, Y-NHH assumed the provider numbers for the Medicare and Medicaid programs (for the Hospital, the Center and Affiliated Physicians); accordingly, the resolution of any and all regulatory matters is no longer the responsibility of the System.

Patient accounts receivable and revenues were recorded when patient services were performed. Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers for services rendered. Revenue received under third-party payer agreements is subject to audit and retroactive adjustments. Provisions for third-party payer settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined. Retroactive adjustments related to settlements with third-party payers increased the System's net patient service revenues for the period from October 1, 2011 to August 28, 2012 by approximately \$5,228.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Net Patient Service Revenue (continued)

The Hospital recognizes accounts receivable and patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of discounted rates under the Hospital's self pay patient policy. Under the policy for self pay patients, a patient who has no insurance and is ineligible for any government assistance program has their bill reduced to the amount which would be billed to a commercially insured patient. The impact of this policy on the financial statements is lower net patient service revenue, as the discount is considered a revenue allowance, and a lower provision for bad debt.

For receivables associated with self-pay patients, the Hospital records a provision for bad debt expense. The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The following tables summarize the Hospital's net patient service revenue for the period from October 1, 2011 to August 28, 2012:

Gross patient service revenue	\$ 1,249,655
Deductions:	
Allowances	(815,678)
Charity care (at cost)	(677)
	<u>(816,355)</u>
Net patient service revenue	433,300
Provision for bad debts	(12,635)
Net patient service revenue less provision for bad debts	<u>\$ 420,665</u>
Third party payers	\$ 416,714
Self pay	16,586
Net patient service revenue	<u>\$ 433,300</u>

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Net Patient Service Revenue (continued)

The System grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer arrangements. The approximate mix of patient care receivables at September 30, 2012, is as follows:

	<u>2012</u>
Medicare	21%
Medicaid	11
Blue Cross	16
Commercial and other	42
Self-pay	10
Total	<u>100%</u>

4. Uncompensated Care and Community Benefit Expense

The System is committed to the community by providing services to the poor and the medically underserved, as well as providing benefits to the broader community. Focused on providing nondiscriminatory treatment of all patients, the System fosters universal access to emergency care regardless of ability to pay. Services provided to the poor and the medically underserved include services provided to persons who cannot afford health care due to lack of resources, lack of insurance, or both.

The System considers care provided for which no payment was received from patients or their insurer as uncompensated care. Uncompensated care is composed of free care provided, charity care provided, and bad debt expense. In determining uncompensated care, the System excludes voluntary and involuntary discounts or “reductions in revenue,” such as underpayments from Medicare and Medicaid or discounts to managed care companies. Consistent with the reporting requirements of the State of Connecticut Office of Health Care Access, uncompensated care is reported at customary (undiscounted) charges; for the period from October 1, 2011 to August 28, 2012 uncompensated care amounted to approximately \$16,679 of which the State of Connecticut reimbursed the Hospital \$2,644 through its uncompensated care pool.

The System makes available free care programs for qualifying patients. In accordance with the established policies of the System during the registration, billing, and collection processes, a patient’s eligibility for free care funds is determined. For the period from October 1, 2011 to August 28, 2012, free care funds provided to patients qualifying for these assistance programs at customary charges and at estimated cost were approximately \$10 and \$3, respectively.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Uncompensated Care and Community Benefit Expense (continued)

The System makes available financial assistance programs for qualifying patients. In accordance with the established policies of the System during the registration, billing, and collection processes, a patient's eligibility for financial assistance is determined. For the period from October 1, 2011 to August 28, 2012, financial assistance provided at customary charges and at estimated cost was approximately \$2,040 and \$717, respectively.

The estimated cost of free care and financial assistance includes the direct and indirect cost of providing services and is estimated by utilizing a ratio of cost to gross charges applied to the undiscounted charges associated with the free care and financial assistance programs.

For patients who were determined to have the ability to pay but did not, the System's provision for uncollectible accounts is bad debt expense. For the period October 1, 2011 to August 28, 2012, bad debt expense was approximately \$14,629.

Annually, the System accrues for the potential losses related to its uncompensated care. At September 30, 2012, the amount estimated by management to represent the System's uncompensated care allowances, which is included in the accompanying consolidated statement of net assets in liquidation as a reduction of accounts receivable for services to patients, was approximately \$23,835.

Additionally, the System reaches out to the broader community, which includes services provided to other needy populations that may not qualify as poor but need special services and support, by increasing access to services, educating the public about disease prevention, providing goods and services, and advocating health care coverage for all. These benefits include the cost of health promotion and education of the general community, interns and residents, health screenings, and medical research. These benefits are provided through the Project Mother Care services, a mobile Dental Van, community health centers, neighborhood schools, various community support groups, and *Better Health* magazine.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Uncompensated Care and Community Benefit Expense (continued)

The System also makes contributions to programs, organizations, and foundations for efforts on behalf of the poor, the disadvantaged, and the community in general. These include the Hospital of Saint Raphael One-For-All Fund, Inc., sponsored by employees, which annually donates approximately \$100 to local community-based organizations, and a variety of in-kind services, including vaccination programs, to police and paramedic personnel, supplies and medical equipment to various organizations, shelters and relief programs, technical assistance in the areas of printing and graphic design, and use of space for community meetings.

5. Self-Insurance Programs

Malpractice and General Liability

Through the date of the Affiliation Transaction, the Hospital's malpractice coverage was provided by a "claims-made" insurance program through its wholly owned subsidiaries (Lukan and Caritas), with the liability for incurred but not reported claims retained at the Hospital. In connection with the Affiliation Transaction, Y-NHH has acquired ownership of these captive insurance companies via acquisition of the applicable company's stock, and the Hospital has transferred the liability for incurred but not reported claims to Y-NHH. The System has no liability for any existing malpractice and generally liability claims subsequent to September 11, 2012.

Activity in the estimated liability for outstanding losses and loss-related expenses at Lukan and Caritas for the periods ended September 11, 2012 and September 30, 2012 is summarized as follows:

	<u>2012</u>
Balance, October 1, 2011	\$ 36,311
Losses incurred	12,319
Paid losses	<u>(11,689)</u>
Balance, September 11, 2012	36,941
Affiliation Transaction	<u>(36,941)</u>
Balance, September 30, 2012	<u><u>\$ -</u></u>

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Self-Insurance Programs (continued)

Workers' Compensation

The Hospital was self-insured for the deductible portion of workers' compensation claims for claims incurred through April 17, 2009. The Hospital obtained commercial insurance coverage for such claims arising after this date through the date of the Affiliation Transaction. As of the date of the Affiliation Transaction, Y-NHH has assumed all future liabilities, including incurred but not reported liabilities, related to workers' compensation claims. The System has no liability for workers' compensation claims subsequent to September 11, 2012.

Activity in the workers' compensation asset and self-insurance liability accounts for the periods ended September 11, 2012 and September 30, 2012 was as follows:

	<u>Asset</u>	<u>Liability</u>
Balance, October 1, 2011	\$ 7,504	\$ 6,981
Current year expense	–	1,363
Contribution	1,279	–
Settlement of claims	(2,148)	(2,148)
Fund expenses	(530)	(530)
Balance, September 11, 2012	<u>6,156</u>	<u>5,666</u>
Affiliation Transaction	–	(5,666)
Release of restrictions to cash	(6,156)	–
Balance, September 30, 2012	<u>\$ –</u>	<u>\$ –</u>

6. Postretirement Benefits

Pensions

The System has a noncontributory defined benefit retirement plan, which is “Qualified” as a “Church Plan” as determined by the Internal Revenue Service (the “IRS”). The most recent determination letter received from the IRS (dated February 5, 2013) confirmed the “Qualified” status of the retirement plan; the “Church Plan” status of the retirement plan was confirmed by the IRS in a Private Letter Ruling issued in 1995. Benefits payable under this plan are based on credited years of service and earnings as defined in the retirement plan documents. During fiscal 2004, participation in the plan was limited to eligible employees hired through December 31, 2003. During fiscal 2010, participation in the plan was frozen at benefits accumulated as of

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Postretirement Benefits (continued)

December 31, 2009. Pension cost for the defined benefit retirement plan was approximately \$3,449 for the period from October 1, 2011 to August 28, 2012 and \$315 for the period from August 29, 2012 to September 30, 2012. Effective with the Affiliation Transaction, this retirement plan was terminated.

Effective January 1, 2004, for eligible new hires subsequent to December 31, 2003, the System has a noncontributory defined contribution retirement plan. Deposits into this plan are based on credited years of service and earnings as defined in the plan documents. During fiscal 2010, participation in the plan was suspended for benefits earned as of December 31, 2009. Effective with the Affiliation Transaction, this plan was terminated.

Through the date of the Affiliation Transaction, the majority of the System's employees were eligible to participate in a 401(k) savings plan sponsored by the System. The System match (one dollar for every dollar contributed by an employee into the plan, up to 3% of compensation as defined) was suspended for contributions made after April 12, 2010. Effective with the Affiliation Transaction, this plan was terminated.

Certain skilled maintenance employees are covered under a multiemployer union pension plan. Union pension plan expense was approximately \$271 for the period from October 1, 2011 to August 28, 2012 and \$14 for the period from August 29, 2012 to September 30, 2012. In connection with the Affiliation Transaction (see Note 1, Organization and Affiliation Transaction), the System reached an agreement with the multiemployer pension plan to withdraw from the plan for a withdrawal liability of \$6.5 million. In conjunction with the Affiliation Transaction, this payment was made in September 2012.

The total pension expense was approximately \$3,720 for the period from October 1, 2011 to August 28, 2012 and \$329 for the period from August 29, 2012 to September 30, 2012.

Medical and Life Insurance

The System utilizes the attribution method of accounting for the actuarially determined cost of providing medical and life insurance benefits to eligible retirees, where the cost of providing such postretirement benefits is accrued during the active service period of the employee. During fiscal 2004, the ability to participate in this benefit was frozen for all existing employees at that date based on a combination of age and years of service.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Postretirement Benefits (continued)

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Act) was enacted on December 8, 2003. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefits that provide a benefit that is at least actuarially equivalent to Medicare Part D. The System's estimate of its postretirement obligation, net periodic postretirement benefit cost, and the corresponding disclosures reflect the effects of the Act on the medical and life insurance benefit.

Benefit coverage was amended to provide eligible current beneficiaries with traditional benefits through January 31, 2013, with a final deposit by the System into a Healthcare Reimbursement Account for such beneficiaries to use in purchasing coverage for the remainder of calendar 2013; after this date the beneficiaries would no longer receive any postretirement insurance benefit from the System. The amendment of this benefit coverage eliminated any and all postretirement insurance benefits for all other current and former employees, and is reflected as a component of the change in postretirement benefit plans' liability to be recognized in future periods in the accompanying consolidated statement of changes in net assets for the period from October 1, 2011 to August 28, 2012. A liability for a small group of 1986 early-retiree beneficiaries with a "guaranteed" insurance benefit also remains (in the approximate value of \$660).

Funded Status of Plans

With the adoption of the liquidation basis of accounting, the System adjusted the calculated defined benefit retirement plan liability based on the ultimate amounts estimated to be available for deposit in the pension trust. As the System's defined benefit retirement plan has been determined to be a "Qualified Plan that is a Church Plan", any funding shortfall is not required to be funded by the plan sponsor upon retirement plan termination. The System's defined benefit retirement plan liability has been adjusted to the best estimate of the assets available for funding into the retirement plan trust as of September 30, 2012 of \$99.128 million, calculated as follows: \$86.128 million funded in October 2012 from proceeds from the Affiliation Transaction and \$13.0 million funded in June 2013 from wind-down activities.

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Postretirement Benefits (continued)

The following table sets forth the funded status of the postretirement benefit plans and the related amounts recognized in the System's consolidated financial statements at September 30, 2012:

	<u>September 30, 2012</u>	
	<u>Pension</u>	<u>Insurance</u>
Change in benefit obligations:		
Benefit obligations, at beginning of year	\$ 229,628	\$ 21,089
Service cost	-	48
Interest cost	10,402	941
Actuarial loss	38,475	1,987
Benefits paid	(5,829)	(1,701)
Federal subsidy on benefits paid	-	127
Plan amendment	-	(20,882)
Benefit obligations, at end of year	<u>272,676</u>	<u>1,609</u>
Change in plan assets at fair value:		
Plan assets, beginning of year	108,052	-
Actual return on plan assets	19,634	-
Employer contribution	-	1,574
Benefits paid	(5,829)	(1,701)
Federal subsidy on benefits paid	-	127
Plan assets, end of year	<u>121,857</u>	<u>-</u>
Funded status of plan, going concern basis	<u>(150,819)</u>	<u>\$ (1,609)</u>
Adjust pension liability to net realizable value	<u>51,691</u>	
Funded status of plan, liquidation basis	<u>\$ (99,128)</u>	

The accumulated benefit obligation of the defined benefit retirement plan at September 30, 2012 was \$272,676.

The following assumptions were used in calculating and determining the actuarial present value of the benefit obligations and net periodic benefit cost at September 30, 2012:

	<u>September 30, 2012</u>	
	<u>Pension</u>	<u>Insurance</u>
Discount rate for projected benefit obligation:		
Terminated vested participants	3.5%	N/A
Retirees	3.0%	N/A
Discount rate for net periodic benefit cost	4.6%	4.6%
Long-term rate of return on plan assets	7.0%	N/A

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Postretirement Benefits (continued)

To develop the expected long-term rate of return on plan assets assumption, the System considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Net postretirement benefit costs for the period from October 1, 2011 to August 28, 2012 and for the period from August 29, 2012 to September 30, 2012 included the following components:

	<u>September 30, 2012</u>	
	<u>Pension</u>	<u>Insurance</u>
Service cost – benefits earned during the period	\$ –	\$ 48
Interest cost on projected benefit obligation	10,402	942
Expected return on plan assets	(8,386)	–
Amortization of unrecognized net loss	1,748	189
Net periodic benefit cost	<u>\$ 3,764</u>	<u>\$ 1,179</u>

Contributions

Subsequent to September 30, 2012, the System made a contribution in October 2012 for \$86,128 and in June 2013 for \$13,000 to its defined benefit retirement plan, and contributed \$1,609 to its medical and life insurance plan.

Estimated Future Cash Flows

With the pending distribution of defined benefit retirement plan assets related to the termination of the retirement plan effective with the Affiliation Transaction, it is anticipated that all retirement plan assets will be fully distributed prior to September 30, 2013. As a “Qualified Plan that is a Church Plan”, any retirement plan asset underfunding will result in the reduction of amounts distributed to the under age 65 terminated vested participants under the terms of the retirement plan. Distribution of retirement plan assets is proceeding in a two phase process: all retirees prior to the Affiliation Transaction and all over 65 terminated vested participants as of the Affiliation Transaction either had an annuity purchased on their behalf or received a lump sum cash out (either tax-deferred or taxable) under an election and distribution process which was completed during June 2013; all under age 65 retirees after the Affiliation Transaction and most under age 65 terminated vested participants as of the Affiliation Transaction will receive a reduced benefit, either having an annuity purchased on their behalf or receiving a lump sum cash

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Postretirement Benefits (continued)

out (either tax-deferred or taxable) under an election and distribution process which will be completed during September 2013. As of June 2013, the underfunding of the retirement plan would result in an overall funded status of the later group of participants of approximately 70%.

7. Functional Expenses

The System provides tertiary level health care services to residents within its geographic location. The approximate proportion of program services and administrative expenses for the period from October 1, 2011 to August 28, 2012 is as follows:

Health care services	85%
Administrative and general	15
	<hr/> 100% <hr/>

8. Commitments and Contingencies

Leases

The System was a party to various operating leases for property and equipment. Rental expense amounted to approximately \$11,778 for the period from October 1, 2011 to August 28, 2012. The vast majority of the noncancelable operating leases were assigned to Y-NHH as part of the Affiliation Transaction.

Litigation

The System is involved in certain litigation arising from unemployment-related matters. In the opinion of management, the final resolution of these legal matters will not have a material effect on the System's consolidated financial position. The System has no liability for malpractice, general liability or workers compensation claims subsequent to September 11, 2012 (see Note 5, Self-Insurance Programs).

Saint Raphael Healthcare System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the net assets in liquidation date for the periods ended September 30, 2012. The System evaluated subsequent events through August 13, 2013, which is the date the financial statements were issued. No events have occurred that require disclosure or adjustment to the consolidated financial statements except for: deposit of \$86,128 (October 2012) and the deposit of \$13,000 (June 2013) into the defined benefit retirement plan trust, and commencement of the distribution process of assets from the defined benefit retirement plan trust (see Note 6, Postretirement Benefits); the establishment and funding (in March 2013 for the amount of \$4,020) of several severance benefit trusts for the payment of certain severance benefits during the liquidation period; and the creation and funding (in April 2013 for the capitalization amount of \$750 and premium amount of \$1,310) of a wholly-owned Vermont-domiciled captive insurance subsidiary of the System to contain certain general liability and contractual liability obligations recorded in connection with the Affiliation Transaction.

Supplementary Information

Report of Independent Auditors on Supplementary Information

The Board of Trustees
Saint Raphael Healthcare System, Inc. and Subsidiaries

We have audited the consolidated statement of net assets in liquidation of Saint Raphael Healthcare System, Inc. as of September 30, 2012, and the related consolidated statement of changes in net assets in liquidation for the period from August 29, 2012 to September 30, 2012 and the consolidated statement of operations, changes in net assets, and cash flows for the period from October 1, 2011 to August 28, 2012, and have issued our report thereon dated August 13, 2013, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of net assets in liquidation as of September 30, 2012, the consolidating statement of changes in net assets in liquidation for the period from August 29, 2012 to September 30, 2012 and the consolidating statement of operations for the period from October 1, 2011 to August 28, 2012 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

August 13, 2013

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidating Statement of Net Assets in Liquidation
(Liquidation Basis)

September 30, 2012

	Consolidated Hospital of Saint Raphael	Sister Anne Virginie Grimes Health Center	Auxiliary	Saint Raphael Foundation, Inc.	DePaul Health Services Corporation	Affiliated Physicians	Parent	Eliminations	Total
	<i>(In thousands)</i>								
Assets									
Cash and cash equivalents	\$ 99,422	\$ –	\$ 135	\$ 2,128	\$ –	\$ –	\$ 213	\$ –	\$ 101,898
Patient receivables, net	25,007	1,167				572			26,746
Due from Yale-New Haven Hospital	12,240		–	–	–	–	–	–	12,240
Other receivables	4,049	–	–	–	–	–	–	–	4,049
Restricted assets	18,564	1,369	–	19,263	–	–	–	(13,392)	25,804
Other assets	1,143	–	–	–	–	–	–	–	1,143
Total assets	160,425	2,536	135	21,391	–	572	213	(13,392)	171,880
Liabilities									
Payables and accruals	16,083	535	–	–	–	143	30		16,791
Accrued costs of liquidation	31,668					–	–		31,668
Postretirement benefit obligations	100,737								100,737
Liabilities subject to regulatory determination	15,190	1,344		19,262				(13,392)	22,404
Total liabilities	163,678	1,879	–	19,262	–	143	30	(13,392)	171,600
Net (liabilities) assets in liquidation	\$ (3,253)	\$ 657	\$ 135	\$ 2,129	\$ –	\$ 429	\$ 183	\$ –	\$ 280

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidating Statement of Changes in Net Assets in Liquidation
(Liquidation Basis)

Period From August 29, 2012 to September 30, 2012

	Consolidated Hospital of Saint Raphael	Sister Anne Virginie Grimes Health Center	Auxiliary	Saint Raphael Foundation, Inc.	DePaul Health Services Corporation	Affiliated Physicians	Parent	Eliminations	Total
	<i>(In thousands)</i>								
Net (deficiency) assets at August 28, 2012 (going concern basis)	\$ (50,159)	\$ (726)	\$ 143	\$ 26,586	\$ 8,280	\$ (804)	\$ 106	\$ (18,907)	\$ (35,481)
Excess of expenses over revenues during liquidation	(2,076)	(174)	(8)	(33)	(193)	(79)	(9)	–	(2,572)
Net asset released from restrictions, used in operations	(767)	–	–	–	–	–	–	–	(767)
Affiliation transaction with Yale-New Haven Hospital	21,848	(4,335)	–	–	(7,284)	–	(166)	–	10,063
Transfers from affiliates, net	(5,754)	7,089	–	(2,096)	(803)	1,312	252	–	–
Restricted investment income	104	–	–	726	–	–	–	–	830
Change in unrealized gains and losses on investments	(76)	–	–	(794)	–	–	–	–	(870)
Change in the interest in net assets of Saint Raphael Foundation, Inc.	(5,622)	107	–	–	–	–	–	5,515	–
Restricted gifts, grants and bequests	444	–	–	(3,065)	–	–	–	–	(2,621)
Changes in postretirement benefit plans' liability to be recognized in future periods	1,732	–	–	–	–	–	–	–	1,732
Adjustment of pension liability to net realizable value	51,691	–	–	–	–	–	–	–	51,691
Reclassification of restricted funds to liabilities subject to regulatory determination	(14,618)	(1,304)	–	(19,195)	–	–	–	13,392	(21,725)
Change in net assets in liquidation - August 29, 2012 to September 30, 2012	46,906	1,383	(8)	(24,457)	(8,280)	1,233	77	18,907	35,761
Net (liabilities) assets in liquidation at September 30, 2012	\$ (3,253)	\$ 657	\$ 135	\$ 2,129	\$ –	\$ 429	\$ 183	\$ –	\$ 280

Saint Raphael Healthcare System, Inc. and Subsidiaries

Consolidating Statement of Operations
(Going Concern Basis)

Period From October 1, 2011 to August 28, 2012

	Consolidated Hospital of Saint Raphael	Sister Anne Virginie Grimes Health Center	Auxiliary	Saint Raphael Foundation, Inc.	DePaul Health Services Corporation	Affiliated Physicians Parent	Eliminations	Total
	<i>(In Thousands)</i>							
Unrestricted revenues, gains, and other support:								
Net patient service revenue	\$ 433,300	\$ 11,748	\$ –	\$ –	\$ –	\$ 6,961	\$ –	\$ 452,009
Provision for bad debts	(12,635)	(1,994)	–	–	–	–	–	(14,629)
Net patient service revenue less provision for bad debts	420,665	9,754	–	–	–	6,961	–	437,380
Other revenues, net	21,496	35	–	2,343	–	217	191	21,939
Net assets released from restrictions, used in operations	4,720	–	–	–	–	–	–	4,720
Total unrestricted revenues and other support	446,881	9,789	–	2,343	–	7,178	191	464,039
Expenses:								
Compensation, related fringe benefits, and fees	312,430	9,113	–	807	132	8,485	39	330,377
Supplies and other non-salary costs	120,534	2,457	–	174	–	1,875	96	124,971
Depreciation and amortization	12,875	477	–	–	–	–	22	13,374
Interest	2,279	207	–	–	–	–	–	2,486
Total operating expenses	448,118	12,254	–	981	132	10,360	157	471,208
Operating (loss) income	(1,237)	(2,465)	–	1,362	(132)	(3,182)	34	(7,169)
Nonoperating income (loss), net	270	3	(58)	–	1,050	–	–	1,110
Net (loss) income before change in unrealized gains and losses on investments	(967)	(2,462)	(58)	1,362	918	(3,182)	34	(6,059)
Change in unrealized gains and losses on investments	1,917	–	–	1,243	–	–	–	1,988
Net income (loss)	\$ 950	\$ (2,462)	\$ (58)	\$ 2,605	\$ 918	\$ (3,182)	\$ 34	\$ (4,071)

Hospital of Saint Raphael and Subsidiaries
Consolidating Statement of Net Assets in Liquidation
(Liquidation Basis)

As of September 30, 2012

	Hospital of Saint Raphael	Lukan Indemnity Company, Ltd.	Caritas Insurance Company, Ltd.	Eliminations	Total
	<i>(In Thousands)</i>				
Assets					
Cash and cash equivalents	\$ 99,422	\$ -	\$ -	\$ -	\$ 99,422
Patient receivables, net	25,007	-	-	-	25,007
Due from Yale-New Haven Hospital	12,240	-	-	-	12,240
Other receivables	4,049	-	-	-	4,049
Restricted assets	18,564	-	-	-	18,564
Other assets	1,143	-	-	-	1,143
Total assets	<u>160,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,425</u>
Liabilities					
Payables and accruals	16,083	-	-	-	16,083
Accrued costs of liquidation	31,668	-	-	-	31,668
Postretirement benefit obligations	100,737	-	-	-	100,737
Liabilities subject to regulatory determination	15,190	-	-	-	15,190
Total liabilities	<u>163,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,678</u>
Net liabilities in liquidation	<u>\$ (3,253)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,253)</u>

Hospital of Saint Raphael and Subsidiaries

Consolidating Statement of Changes in Net Assets in Liquidation
(Liquidation Basis)

Period From August 29, 2012 to September 30, 2012

	Hospital of Saint Raphael	Lukan Indemnity Company, Ltd.	Caritas Insurance Company, Ltd.	Eliminations	Total
	<i>(In Thousands)</i>				
Net (deficiency) assets at August 29, 2012 (going concern basis)	\$ (54,704)	\$ 3,369	\$ 9,046	\$ (7,870)	\$ (50,159)
Excess of expenses over revenues during liquidation	(1,927)	(136)	(13)	–	(2,076)
Net asset released from restrictions, used in operations	(767)				(767)
Affiliation transaction with Yale-New Haven Hospital	26,244	(3,233)	(9,033)	7,870	21,848
Transfers from affiliates, net	(5,754)				(5,754)
Net assets released from restrictions for capital and other purposes	–	–	–	–	–
Restricted investment income	104	–	–	–	104
Change in unrealized gains and losses on investments	(76)	–	–	–	(76)
Change in the interest in net assets of Saint Raphael Foundation, Inc.	(5,622)	–	–	–	(5,622)
Restricted gifts, grants and bequests	444	–	–	–	444
Changes in postretirement benefit plans' liability to be recognized in future periods	1,732	–	–	–	1,732
Adjustment of pension liability to net realizable value	51,691	–	–	–	51,691
Reclassification of restricted funds to liabilities subject to regulatory determination	(14,618)	–	–	–	(14,618)
Change in net assets in liquidation - August 29, 2012 to September 30, 2012	51,451	(3,369)	(9,046)	7,870	46,906
Net liabilities in liquidation at September 30, 2012	\$ (3,253)	\$ –	\$ –	\$ –	\$ (3,253)

Hospital of Saint Raphael and Subsidiaries

Consolidating Statement of Operations

(Going Concern Basis)

For the Period From October 1, 2011 to August 28, 2012

	Hospital of Saint Raphael	Lukan Indemnity Company, Ltd.	Caritas Insurance Company, Ltd.	Eliminations	Total
	<i>(In Thousands)</i>				
Unrestricted revenues, gains, and other support:					
Net patient service revenue	\$ 433,300	\$ –	\$ –	\$ –	\$ 433,300
Provision for bad debts	(12,635)	–	–	–	(12,635)
Net patient service revenue less provision for bad debts	420,665	–	–	–	420,665
Other revenues, net	17,274	6,396	1,781	(3,955)	21,496
Net assets released from restrictions, used in operations	4,720	–	–	–	4,720
Total unrestricted revenues and other support	442,659	6,396	1,781	(3,955)	446,881
Expenses:					
Compensation, related fringe benefits, and fees	312,430	–	–	–	312,430
Supplies and other non-salary costs	111,329	10,392	2,768	(3,955)	120,534
Depreciation and amortization	12,875	–	–	–	12,875
Interest	2,279	–	–	–	2,279
Total operating expenses	438,913	10,392	2,768	(3,955)	448,118
Operating loss	3,746	(3,996)	(987)	–	(1,237)
Nonoperating income, net	270	–	–	–	270
Net loss before change in unrealized gains and losses on investments	4,016	(3,996)	(987)	–	(967)
Change in unrealized gains and losses on investments	63	646	1,208	–	1,917
Net income (loss)	\$ 4,079	\$ (3,350)	\$ 221	\$ –	\$ 950

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