

Report of Independent Auditors on Supplementary Information

The Board of Directors
Saint Francis Care, Inc. and Subsidiaries

We have audited the consolidated financial statements of Saint Francis Care, Inc. and Subsidiaries (Saint Francis Care) as of and for the year ended September 30, 2012, and have issued our report thereon dated February 25, 2013, which contained an unqualified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and statement of operations 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 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

February 25, 2013

Saint Francis Care, Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2012
(In Thousands)

| | Saint Francis Care, Inc. | Saint Francis Hospital and Medical Center | Mount Sinai Rehabilitation Hospital, Inc. | Saint Francis Hospital and Medical Center Foundation, Inc. | Saint Francis Care Medical Group, P.C. | Saint Francis Medical Group and Subsidiary | Asylum Hill Family Medicine Center, Inc. | Total Prior to Elimination | Intercompany Elimination | Consolidated Saint Francis Care, Inc. | |
|---|--------------------------------|---|---|---|--|--|--|----------------------------------|-----------------------------|---|------------|
| Assets | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash and cash equivalents | \$ | – | \$ 84,277 | \$ 2,358 | \$ 0 | \$ 560 | \$ 1,501 | \$ 632 | \$ 89,328 | \$ – | \$ 89,328 |
| Short-term investments | – | 41,197 | 12,479 | 52 | – | – | – | – | 53,728 | – | 53,728 |
| Assets whose use is limited for current liabilities | – | 5,076 | – | – | – | – | – | – | 5,076 | – | 5,076 |
| Current portion of pledges receivable | – | – | – | 1,082 | – | – | – | – | 1,082 | – | 1,082 |
| Accounts receivable-patients, less allowance | – | 61,368 | 2,625 | – | 453 | 5,003 | 404 | – | 69,853 | – | 69,853 |
| Accounts receivable – other | – | 3,307 | – | – | – | 9 | 488 | – | 3,804 | – | 3,804 |
| Inventories of supplies | – | 7,162 | – | – | – | – | – | – | 7,162 | – | 7,162 |
| Prepaid expenses | – | 6,060 | 26 | – | 19 | 13 | 4 | – | 6,122 | – | 6,122 |
| Due from affiliated entities | – | 5,388 | 565 | – | (572) | (5,014) | (3) | – | 364 | (13) | 351 |
| Total current assets | – | 213,835 | 18,053 | 1,134 | 460 | 1,512 | 1,525 | – | 236,519 | (13) | 236,506 |
| Assets whose use is limited: | | | | | | | | | | | |
| Board-designated | – | 42,302 | – | – | – | – | – | – | 42,302 | – | 42,302 |
| Donor restricted | – | 4,286 | – | – | – | – | – | – | 4,286 | – | 4,286 |
| Held under bond indenture | – | 5,993 | – | – | – | – | – | – | 5,993 | – | 5,993 |
| Held in trusts by others | – | 48,538 | – | – | – | – | – | – | 48,538 | – | 48,538 |
| Investment in SFHMC Foundation, Inc. | – | 12,789 | – | – | – | – | – | – | 12,789 | (12,789) | – |
| | – | 113,908 | – | – | – | – | – | – | 113,908 | (12,789) | 101,119 |
| Assets whose use is limited for current liabilities | – | (5,076) | – | – | – | – | – | – | (5,076) | – | (5,076) |
| | – | 108,832 | – | – | – | – | – | – | 108,832 | (12,789) | 96,043 |
| Long-term investments | 15,847 | 14,832 | 193 | – | – | – | – | – | 30,872 | (15,847) | 15,025 |
| Property, plant, and equipment, net | – | 451,835 | 6,263 | 18 | 46 | 353 | 151 | – | 458,666 | – | 458,666 |
| Other assets: | | | | | | | | | | | |
| Bond issuance costs, less amortization | – | 2,247 | – | – | – | – | – | – | 2,247 | – | 2,247 |
| Pledges receivable, less current portion | – | – | – | 11,493 | – | – | – | – | 11,493 | – | 11,493 |
| Other | – | 3,231 | 2 | – | 60 | – | 2 | – | 3,295 | – | 3,295 |
| | \$ 15,847 | \$ 794,812 | \$ 24,511 | \$ 12,645 | \$ 566 | \$ 1,865 | \$ 1,678 | \$ – | \$ 851,924 | \$ (28,649) | \$ 823,275 |

Saint Francis Care, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2012
(In Thousands)

| | Saint Francis Care, Inc. | Saint Francis Hospital and Medical Center | Mount Sinai Rehabilitation Hospital, Inc. | Saint Francis Hospital and Medical Center Foundation, Inc. | Saint Francis Care Medical Group, P.C. | Saint Francis Medical Group and Subsidiary | Asylum Hill Family Medicine Center, Inc. | Total Prior to Elimination | Intercompany Elimination | Consolidated Saint Francis Care, Inc. |
|--|--------------------------|---|---|--|--|--|--|----------------------------|--------------------------|---------------------------------------|
| Liabilities and net assets | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable | \$ - | \$ 35,277 | \$ 98 | \$ 29 | \$ 247 | \$ 1,002 | \$ 1,391 | \$ 38,044 | \$ (13) | \$ 38,031 |
| Accrued payroll and other related expenses | - | 34,946 | 1,667 | - | 378 | 9,083 | 157 | 46,231 | - | 46,231 |
| Accrued expenses and interest payable | - | 6,831 | 92 | 150 | 31 | 15 | 1 | 7,120 | - | 7,120 |
| Due to third-party reimbursement agencies | - | 2,602 | 392 | - | - | - | - | 2,994 | - | 2,994 |
| Current portion of long-term debt: | - | 6,950 | - | - | - | - | - | 6,950 | - | 6,950 |
| Total current liabilities | - | 86,606 | 2,249 | 179 | 656 | 10,100 | 1,549 | 101,339 | (13) | 101,326 |
| Pension and other accrued expenses | - | 318,826 | - | - | - | - | - | 318,826 | - | 318,826 |
| Long-term debt, less portion classified as a current liability | - | 258,965 | - | - | - | - | - | 258,965 | - | 258,965 |
| Net assets: | | | | | | | | | | |
| Unrestricted | 15,847 | 32,989 | 21,195 | (322) | (90) | (8,235) | 129 | 61,513 | (15,848) | 45,665 |
| Temporarily restricted | - | 44,602 | 1,067 | 12,575 | - | - | - | 58,244 | (12,575) | 45,669 |
| Permanently restricted | - | 52,824 | - | 213 | - | - | - | 53,037 | (213) | 52,824 |
| | 15,847 | 130,415 | 22,262 | 12,466 | (90) | (8,235) | 129 | 172,794 | (28,636) | 144,158 |
| | \$ 15,847 | \$ 794,812 | \$ 24,511 | \$ 12,645 | \$ 566 | \$ 1,865 | \$ 1,678 | \$ 851,924 | \$ (28,649) | \$ 823,275 |

Saint Francis Care, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2012

(In Thousands)

| | Saint Francis Care, Inc. | Saint Francis Hospital and Medical Center | Mount Sinai Rehabilitation Hospital, Inc. | Saint Francis Hospital and Medical Center Foundation, Inc. | Saint Francis Care Medical Group, P.C. | Saint Francis Medical Group and Subsidiary | Asylum Hill Family Medicine Center, Inc. | Total Prior to Elimination | Intercompany Elimination | Consolidated Saint Francis Care, Inc. |
|--|--------------------------|---|---|--|--|--|--|----------------------------|--------------------------|---------------------------------------|
| Net patient service revenue | \$ - | \$ 660,780 | \$ 26,135 | \$ - | \$ 4,614 | \$ 40,025 | \$ 3,173 | \$ 734,727 | \$ - | \$ 734,727 |
| Other operating revenues | - | 39,639 | 211 | 128 | 702 | 36,588 | 1,200 | 78,468 | (35,671) | 42,797 |
| Net assets released from restrictions for operations | - | 6,814 | 111 | 5,600 | - | - | - | 12,525 | - | 12,525 |
| | - | 707,233 | 26,457 | 5,728 | 5,316 | 76,613 | 4,373 | 825,720 | (35,671) | 790,049 |
| Operating expenses: | | | | | | | | | | |
| Salaries | - | 253,690 | 11,634 | 1,164 | 3,505 | 56,906 | 2,716 | 329,615 | - | 329,615 |
| Supplies and other | - | 370,907 | 11,874 | 1,878 | 1,092 | 22,993 | 1,486 | 410,230 | (35,671) | 374,559 |
| Bad debts | - | 19,173 | 125 | 0 | 199 | 2,365 | 167 | 22,029 | - | 22,029 |
| Interest | - | 11,965 | - | - | - | - | - | 11,965 | - | 11,965 |
| Depreciation and amortization | - | 35,802 | 621 | 4 | 14 | 59 | 27 | 36,527 | - | 36,527 |
| | - | 691,537 | 24,254 | 3,046 | 4,810 | 82,323 | 4,396 | 810,366 | (35,671) | 774,695 |
| | - | 15,696 | 2,203 | 2,682 | 506 | (5,710) | (23) | 15,354 | - | 15,354 |
| Net gain on investment activity | - | 328 | - | 4 | - | - | - | 332 | - | 332 |
| Operating income (loss) | - | 16,024 | 2,203 | 2,686 | 506 | (5,710) | (23) | 15,686 | - | 15,686 |
| Interest rate swap activity: | | | | | | | | | | |
| Interest cost on interest rate swaps | - | (807) | - | - | - | - | - | (807) | - | (807) |
| Change in fair market value of swaps | - | (10,315) | - | - | - | - | - | (10,315) | - | (10,315) |
| | - | (11,122) | - | - | - | - | - | (11,122) | - | (11,122) |
| Excess (deficiency) of revenues over expenses | - | 4,902 | 2,203 | 2,686 | 506 | (5,710) | (23) | 4,564 | - | 4,564 |

Saint Francis Care, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2012
(In Thousands)

| | Saint Francis Care, Inc. | Saint Francis Hospital and Medical Center | Mount Sinai Rehabilitation Hospital, Inc. | Saint Francis Hospital and Medical Center Foundation, Inc. | Saint Francis Care Medical Group, P.C. | Saint Francis Medical Group and Subsidiary | Asylum Hill Family Medicine Center, Inc. | Total Prior to Intercompany Elimination | Consolidated Saint Francis Care, Inc. |
|--|--------------------------|---|---|--|--|--|--|---|---------------------------------------|
| Unrestricted net assets: | | | | | | | | | |
| Excess (deficiency) of revenues over expenses (continued) | \$ - | \$ 4,902 | \$ 2,203 | \$ 2,686 | \$ 506 | \$ (5,710) | \$ (23) | \$ 4,564 | \$ 4,564 |
| Net asset transfer | - | (1,210) | - | (2,756) | - | - | - | (3,966) | (3,966) |
| Net assets released from restrictions used for capital purchases | - | 1,079 | 1,951 | - | - | - | - | 3,030 | 3,030 |
| Change in pension funding and postretirement obligations | - | (26,209) | - | - | - | - | - | (26,209) | (26,209) |
| Purchase of minority interest in subsidiary | - | (450) | - | - | - | - | - | (450) | (450) |
| (Decrease) increase in unrestricted net assets | - | (21,888) | 4,154 | (70) | 506 | (5,710) | (23) | (23,031) | (23,031) |
| Temporarily restricted net assets: | | | | | | | | | |
| Income from investments | - | 582 | - | - | - | - | - | 582 | 582 |
| Gifts, contributions, and donations | - | 5,932 | 699 | 3,931 | - | - | - | 10,562 | 10,562 |
| Net unrealized loss on investments | - | 80 | - | - | - | - | - | 80 | 80 |
| Net assets released from restrictions for renovations | - | (2,352) | - | - | - | - | - | (2,352) | (2,352) |
| Net assets released from restrictions | - | (7,893) | (2,062) | (5,600) | - | - | - | (15,555) | (15,555) |
| Net asset transfer | - | 3,394 | 169 | - | - | - | - | 3,563 | 3,563 |
| Increase in interest SFHMC Foundation , Inc. | - | (1,669) | - | - | - | - | - | (1,669) | 1,669 |
| (Decrease) increase in temporarily restricted net assets | - | (1,926) | (1,194) | (1,669) | - | - | - | (4,789) | 1,669 |
| Permanently restricted net assets: | | | | | | | | | |
| Increase in assets held in trusts by others | - | 5,305 | - | - | - | - | - | 5,305 | 5,305 |
| Increase in permanently restricted net assets | - | 5,305 | - | - | - | - | - | 5,305 | 5,305 |
| Decrease (increase) in net assets | - | (18,509) | 2,960 | (1,739) | 506 | (5,710) | (23) | (22,515) | 1,669 |
| Net assets at beginning of year | 15,847 | 148,924 | 19,302 | 14,205 | (596) | (2,525) | 152 | 195,309 | (30,305) |
| Net assets at end of year | \$ 15,847 | \$ 130,415 | \$ 22,262 | \$ 12,466 | \$ (90) | \$ (8,235) | \$ 129 | \$ 172,794 | \$ (28,636) |
| | | | | | | | | | \$ 144,158 |

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