PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended July 31, 2013 and 2012

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Draffin & Tucker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Phoebe Putney Health System, Inc.
Albany, Georgia

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Phoebe Putney Health System, Inc. (Corporation) and Subsidiaries, which comprise the consolidated balance sheets as of July 31, 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 Consolidated 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 did not audit the financial statements of Phoebe Putney Indemnity, LLC (PPI), a wholly-owned subsidiary, which statements reflect total assets constituting 5.8% and 4.1%, respectively of consolidated total assets at July 31, 2013 and 2012, and total revenues constituting 0.7% and 0.1%, respectively of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion,

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insofar as it relates to the amounts included for PPI, is based solely on the report of the other auditors. 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 Corporation'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 Corporation'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phoebe Putney Health System, Inc. as of July 31, 2013 and 2012, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Corporation changed its presentation of revenues and provision for doubtful accounts as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities.*

Draffin & Tucker, LLP

Albany, Georgia
November 7, 2013

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED BALANCE SHEETS, July 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97,736,044	$ 112,704,889
Assets limited as to use – current	-	1,664,022
Patient accounts receivable, net of allowance for doubtful accounts of $51,000,000 in 2013 and $35,000,000 in 2012	121,014,507	99,013,137
Supplies, at lower of cost (first-in, first-out) or market	12,340,226	8,166,511
Estimated third-party payor settlements	7,921,847	5,379,146
Other current assets	14,469,585	8,092,701
Total current assets	253,482,209	235,020,406
Assets limited as to use:		
Internally designated for capital improvements	293,478,120	257,556,953
Internally designated for self-insurance	61,564,867	39,055,865
Under bond indenture agreement	-	1,664,022
Restricted by Phoebe Foundation, Inc.	8,626,047	8,605,728
Permanently restricted	1,781,131	1,581,098
Total assets limited as to use	365,450,165	308,463,666
Less amount required to meet current obligations	-	1,664,022
Assets limited as to use – long-term	365,450,165	306,799,644
Property and equipment, net	421,738,851	387,905,387
Other assets:		
Deferred financing cost	3,188,380	3,029,453
Goodwill	130,664,387	17,012,675
Other receivables	-	217,893,063
Other assets	31,576,331	22,791,627
Total other assets	165,429,098	260,726,818
Total assets	$ 1,206,100,323	$ 1,190,452,255

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED BALANCE SHEETS, July 31, 2013 and 2012

	2013	2012
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 5,423,553	$ 4,715,000
Short-term debt	-	100,000,000
Accounts payable	24,555,962	20,378,420
Accrued expenses	58,049,703	48,275,061
Total current liabilities	88,029,218	173,368,481
Long-term debt, net of current portion	303,593,467	209,064,518
Accrued pension cost	103,153,525	138,899,342
Accrued self-insurance cost	48,660,145	48,830,640
Derivative financial instruments	6,795,221	14,035,472
Total liabilities	550,231,576	584,198,453
Net assets:		
Unrestricted	649,591,451	599,639,057
Temporarily restricted	4,496,165	5,033,647
Permanently restricted	1,781,131	1,581,098
Total net assets	655,868,747	606,253,802
Total liabilities and net assets	$ 1,206,100,323	$ 1,190,452,255

The accompanying notes are an integral part of these financial statements.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
for the years ended July 31, 2013 and 2012

	2013	2012
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	$ 743,560,936	$ 666,173,599
Provision for bad debts	(109,093,258)	(72,370,178)
Net patient service revenue	634,467,678	593,803,421
Other revenue	34,782,825	25,998,190
Total revenues, gains and other support	669,250,503	619,801,611
Expenses:		
Salaries and wages	304,963,608	268,110,938
Employee health and welfare	99,378,406	65,823,168
Medical supplies and other	165,831,255	176,964,380
Purchased services	56,735,858	53,258,051
Depreciation and amortization	41,113,350	32,714,196
Interest	7,474,231	5,680,033
Total expenses	675,496,708	602,550,766
Operating income (loss)	(6,246,205)	17,250,845
Nonoperating gains (losses):		
Investment income (loss)	52,796,230	(9,857,213)
Loss on impairment of goodwill	(43,929,294)	-
Total nonoperating gains (losses)	8,866,936	(9,857,213)
Excess revenues	2,620,731	7,393,632

Continued

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS, Continued
for the years ended July 31, 2013 and 2012

	2013	2012
Net assets released from restrictions	$ 1,208,440	$ 42,782
Change in interest in net assets of Sumter Regional Hospital Foundation, Inc.	593,953	130,584
Contributions from Americus-Sumter County Hospital Authority	-	31,026,634
Net actuarial gain (loss)	39,447,559	(62,349,691)
Amortization of prior service cost	181,422	181,422
Amortization of net gain	7,064,269	3,276,175
Other changes in unrestricted net assets	(1,163,980)	(1,766,884)
Increase (decrease) in unrestricted net assets	49,952,394	(22,065,346)
Temporarily restricted net assets:		
Restricted donations	670,958	306,702
Net assets released from restrictions	(1,208,440)	(42,782)
Increase (decrease) in temporarily restricted net assets	(537,482)	263,920
Permanently restricted net assets:		
Restricted donations	200,033	154,569
Increase (decrease) in net assets	49,614,945	(21,646,857)
Net assets, beginning of year	606,253,802	627,900,659
Net assets, end of year	$ 655,868,747	$ 606,253,802

The accompanying notes are an integral part of these financial statements.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended July 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 49,614,945	$(21,646,857)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in unrealized (gain) loss on investments	(31,675,308)	10,204,555
Depreciation and amortization	41,113,350	32,714,196
Change in interest in net assets of Sumter Regional Hospital Foundation, Inc.	(593,953)	(130,584)
Contributions from Americus-Sumter County Hospital Authority	-	(31,026,634)
Loss on impairment of goodwill	43,929,294	-
Changes in:		
Receivables	(12,908,604)	(3,913,637)
Supplies	(1,260,934)	(86,701)
Estimated third-party payor settlements	(2,542,701)	(3,464,756)
Other receivables	(704,825)	2,411,386
Other assets	(14,992,154)	(12,516,343)
Accounts payable and accrued expenses	7,653,405	(7,175,284)
Accrued pension cost	(35,745,817)	55,833,352
Accrued self-insurance cost	(170,495)	5,890,357
Derivative financial instruments	(7,240,251)	9,428,915
Net cash provided by operating activities	34,475,952	36,521,965
Cash flows from investing activities:		
Purchase of property and equipment	(36,687,953)	(66,118,010)
Purchase of medical practices	-	(530,598)
Payments to Authority	-	(220,304,449)
Payments from Authority	17,316,845	-
Sale of assets limited as to use	68,803,750	86,296,769
Purchase of assets limited as to use	(94,114,941)	(108,347,963)
Net cash used by investing activities	(44,682,299)	(309,004,251)

Continued

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2013 and 2012

	2013	2012
Cash flows from financing activities:		
Payments on short-term debt	$(100,000,000)	$ -
Payments on long-term debt	(116,074,091)	(5,184,509)
Proceeds from issuance of short-term debt	-	100,000,000
Proceeds from issuance of long-term debt	211,311,593	-
Net cash provided (used) by financing activities	(4,762,498)	94,815,491
Decrease in cash and cash equivalents	(14,968,845)	(177,666,795)
Cash and cash equivalents, beginning of year	112,704,889	290,371,684
Cash and cash equivalents, end of year	$ 97,736,044	$ 112,704,889
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 7,700,000	$ 5,800,000

- Effective June 30, 2009, the Americus-Sumter County Hospital Authority entered into a lease and transfer agreement with Phoebe Sumter Medical Center, Inc. to transfer the assets, liabilities, and operations of Sumter Regional Hospital to Phoebe Sumter Medical Center, Inc. During 2012, the Americus-Sumter County Hospital Authority, under the lease and transfer agreement, transferred the new facilities to Phoebe Sumter Medical Center, Inc. at an amount of $56,027,000.

- In 2013 and 2012, the Corporation acquired long-term assets, primarily consisting of goodwill of approximately $157,581,000 and $531,000, respectively, as a result of the transactions to acquire Palmyra Park Hospital, LLC and medical practices.

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Organization

Phoebe Putney Health System, Inc. (Corporation) is the not-for-profit parent company of Phoebe Putney Memorial Hospital, Inc., a not-for-profit entity, Phoebe Putney Health Ventures, Inc., a for-profit corporation, Phoebe Physician Group, Inc., a not-for-profit corporation, Phoebe Worth Medical Center, Inc., a not-for-profit entity, Phoebe Sumter Medical Center, Inc., a not-for-profit entity, Phoebe Putney Indemnity, LLC, a not-for-profit entity and Phoebe Foundation, Inc., a not-for-profit entity. The above entities are consolidated and all intercompany transactions are eliminated.

Phoebe Putney Memorial Hospital, Inc. (PPMH), located in Albany, Georgia, is an acute care hospital, which operates satellite clinics in the surrounding counties. It provides inpatient, outpatient and emergency care services for residents of Southwest Georgia. Admitting physicians are primarily practitioners in the local area.

Phoebe Putney Health Ventures, Inc. engages in healthcare and related activities in furtherance of the exempt purposes of Phoebe Putney Health System, Inc. and Phoebe Putney Memorial Hospital, Inc.

Phoebe Physician Group, Inc. was established to organize and operate medical practices exclusively for the benefit of Phoebe Putney Memorial Hospital, Inc., Phoebe Worth Medical Center, Inc., and Phoebe Sumter Medical Center, Inc.

Phoebe Worth Medical Center, Inc. (PWMC), located in Sylvester, Georgia, is a 25 bed rural critical access hospital. It provides inpatient, outpatient, and emergency care services for residents of Worth County, Georgia.

Phoebe Sumter Medical Center, Inc. (PSMC), located in Americus, Georgia, is an acute care hospital. It provides inpatient, outpatient and emergency care services for residents of Sumter County, Georgia.

Phoebe Putney Indemnity, LLC, is organized as a single parent captive under the captive insurance laws of the State of South Carolina to insure the risks of Phoebe Putney Health System, Inc.

Phoebe Foundation, Inc. was established to raise funds of any kind or character to be used exclusively for charitable, medical, educational and scientific purposes at or in connection with Phoebe Putney Memorial Hospital, Inc. or the Hospital Authority of Albany-Dougherty County, Georgia (Authority).

Continued

1. Summary of Significant Accounting Policies, Continued

Reorganization

Effective September 1, 1991, the Hospital Authority of Albany-Dougherty County, Georgia implemented a reorganization plan for the Hospital whereby all the assets, management and governance of the Hospital was transferred to Phoebe Putney Memorial Hospital, Inc., a not- for-profit corporation, qualified as an organization described in Section 501(c)3 of the Internal Revenue Code, pursuant to a lease and transfer agreement. During 2009, the lease term was renewed for an additional forty years.

Effective August 1, 2012, the lease and transfer agreement between PPMH and the Authority was amended and restated. The amendment was made for the transfer and inclusion of the hospital formerly known as Palmyra Park Hospital, LLC (Palmyra) which was acquired by the Authority. The amendment included the extension of the lease for a term of forty years from the date of the current amendment.

Effective July 1, 2009, the Americus-Sumter County Hospital Authority (Sumter Authority) implemented a reorganization plan for Sumter Regional Hospital (SRH) whereby all the assets, management and governance of SRH was transferred to Phoebe Sumter Medical Center, Inc., a not-for-profit corporation, qualified as an organization described in Section 501(c)3 of the Internal Revenue Code, pursuant to a lease and transfer agreement. The lease term is forty years with an annual contribution of $25,000 to the Sumter Authority. Under the lease and transfer agreement, the Sumter Authority was required to construct a new hospital facility. The new hospital facility is leased to Phoebe Sumter Medical Center, Inc. for the remainder of the lease term. This transaction is accounted for as a pooling of interest. As part of the lease and transfer agreement, the Corporation agreed to contribute up to $25,000,000 to the construction cost of the new facility or the physician recruiting efforts of Phoebe Sumter Medical Center, Inc., as needed.

On December 15, 2011, the Authority purchased substantially all assets of Palmyra, a general acute care hospital located in Albany, Georgia for approximately $195 million. On August 1, 2012, the Authority transferred all assets resulting from the purchase of Palmyra to PPMH.

Continued

1. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. The Corporation routinely invests its surplus operating funds in money market mutual funds.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Continued

1. Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts, Continued

The Corporation's allowance for doubtful accounts for fiscal year 2013 increased approximately 2% as a percentage of self-pay accounts receivable compared to fiscal year 2012. The increase was due to several factors, including an increase in accounts receivable due in part to the leasing of Palmyra which began August 1, 2012. The accounts receivable related to Palmyra included in the initial lease are significantly aged and therefore require a higher allowance for doubtful accounts. In addition, the Corporation experienced an increase in self-pay volume during fiscal year 2013. Another factor that led to the increase is the result of negative trends related to the collectability of amounts due from self-pay patients during fiscal year 2013. The healthcare industry is also experiencing a movement of more patients favoring the high deductible insurance plans with lower premium costs. Although these patients are insured, collection is often difficult when the patient is left with the responsibility of the account balance after insurance has paid the claim. The Corporation has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2013.

Supplies

Supplies, which consist primarily of drugs, food, and medical supplies, are valued at first-in, first-out cost, but not in excess of market.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investments without a readily determinable fair value are evaluated for the applicability of the cost or equity method. Investments qualifying for the equity method are stated at quoted net asset value of shares held at year end. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess revenues unless the investments are trading securities.

Continued

1. Summary of Significant Accounting Policies, Continued

Derivative Financial Instruments

The Corporation has entered into interest rate swap agreements as part of its interest rate risk management strategy. These agreements are accounted for under the provisions of FASB ASC 815 *Derivatives and Hedging*. FASB ASC 815 establishes accounting and reporting standards requiring that derivative instruments be recorded at fair value as either an asset or liability.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of unrestricted net assets. The ineffective component, if any, is recorded in excess revenues in the period in which the hedge transaction affects earnings. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in excess revenues. For derivative instruments not designated as hedging instruments, the unrealized gain or loss is recognized in nonoperating gains (losses) during the period of change.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture, assets restricted by Phoebe Foundation, Inc., permanently restricted assets, and designated assets set aside by the Board of Directors for future capital improvements and self-insurance trust agreements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Corporation have been reclassified in the balance sheet at July 31, 2013 and 2012.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on 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 and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Continued

1. Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Goodwill

Under FASB authoritative guidance, goodwill and intangible assets with indefinite lives are no longer amortized, but are tested for impairment annually and more frequently in the event of an impairment indicator. The accounting standard also requires that intangible assets with definite lives be amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

The Corporation assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Corporation determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is required. If the two-step impairment test is determined to be necessary, and in step two the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

In accordance with the accounting standard, the Corporation assesses goodwill for impairment on an annual basis. See Note 7 for goodwill disclosures.

Deferred Financing Cost

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the related debt.

Continued

1. Summary of Significant Accounting Policies, Continued

Temporarily and Permanently Restricted Net Assets

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

Excess Revenues

The statement of operations and changes in net assets includes excess revenues. Changes in unrestricted net assets which are excluded from excess revenues, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Corporation has agreements with 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, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Continued

1. Summary of Significant Accounting Policies, Continued

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Estimated Malpractice and Other Self-Insurance Costs

The provisions for estimated medical malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

Phoebe Putney Health System, Inc., Phoebe Putney Memorial Hospital, Inc., Phoebe Worth Medical Center, Inc., Phoebe Sumter Medical Center, Inc., Phoebe Physician Group, Inc., and Phoebe Foundation, Inc. are not-for-profit corporations that have been recognized as tax-exempt pursuant to Section 501(c)3 of the Internal Revenue Code. Phoebe Putney Indemnity, LLC is not subject to federal income taxes due to its organization as a single member LLC. Phoebe Putney Health Ventures, Inc. is a for-profit entity. With respect to its for-profit entity as well as any unrelated business income generated through the tax exempt entities, the Corporation accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and income tax credit carryforwards. Deferred income tax assets or liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in rates is recognized in income in the period in which the enactment date occurs. The Corporation is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized.

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

The accounting policies prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Corporation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of July 31, 2013 and 2012 or for the years then ended. The Corporation's open audit periods are for tax years ended 2010-2012.

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges of long-lived assets in the accompanying consolidated statements of operations and changes in net assets for the years ended July 31, 2013 and 2012.

Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

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

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

- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently Issued Accounting Pronouncement

In 2013, the Corporation adopted the provisions of FASB Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The ASU requires health care entities to change the presentation of the statement of operations by reclassifying the provision for doubtful accounts from an operating expense to a deduction from patient service revenues. Additionally, the guidance requires enhanced disclosures about the policies for recognizing revenue, assessing bad debts and qualitative and quantitative information about the changes in the allowance for doubtful accounts. All periods presented in these financial statements and notes to financial statements have been reclassified in accordance with the ASU.

Continued

1. Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncement, Continued

In 2013, the Corporation adopted the provisions of FASB Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement*. This new guidance was issued to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The adoption of this ASU resulted in additional disclosure and did not have a material impact on the Corporation's financial position or results of operations.

Subsequent Event

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 7, 2013, the date the financial statements were to be issued.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2012 consolidated financial statements to conform to the fiscal year 2013 presentation. These reclassifications had no impact on the change in net assets in the accompanying financial statements.

2. Net Patient Service Revenue

The Corporation has arrangements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. The Corporation does not believe that there are any significant credit risks associated with receivables due from third-party payors.

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to

Continued

2. Net Patient Service Revenue, Continued

pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

July 31, 2013
Patient Service Revenue
(Net of Contractual Allowances and Discounts)

Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
$ 221,752,432	$ 93,985,474	$ 318,253,994	$ 109,569,036	$ 743,560,936

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 15%, respectively, of the Corporation's net patient revenue for the year ended July 31, 2013 and 36% and 17%, respectively of the Corporation's net patient revenue for the year ended July 31, 2012. 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. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

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. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. 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.

Continued

2. Net Patient Service Revenue, Continued

A summary of the payment arrangements with major third-party payors follows:

- Medicare

  Inpatient acute care and rehabilitation services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  Inpatient psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined per diems.

  The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare Administrative Contractor (MAC). The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. The Corporation's Medicare cost reports have been audited by the MAC through July 31, 2008.

- Medicaid

  Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

  The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. The Corporation's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2010.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

The Corporation also contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The Corporation participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Corporation receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Corporation's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $9,292,000 and $8,075,000 for the years ended July 31, 2013 and 2012, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $2,955,000 and $1,660,000 for the years ended July 31, 2013 and 2012, respectively.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately $7,283,000 and $5,778,000 relating to the Act is included in medical supplies and other in the accompanying statement of operations and changes in net assets for the years ended July 31, 2013 and 2012, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Other Arrangements

The Corporation has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. Uncompensated Services

The Corporation was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2013 and 2012 were approximately $1,142,000,000 and $946,000,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $90,000,000 and $79,000,000 in 2013 and 2012, respectively. The cost of charity and indigent care services provided during 2013 and 2012 was approximately $34,000,000 and $31,000,000, respectively, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2013 and 2012.

	2013	2012
Gross patient charges	$ 1,776,272,169	$ 1,539,975,485
Uncompensated services:		
Charity and indigent care	90,469,887	78,791,575
Medicare	558,865,121	457,130,863
Medicaid	225,359,997	185,221,205
Other allowances	158,016,228	152,658,243
Bad debts	109,093,258	72,370,178
Total uncompensated care	1,141,804,491	946,172,064
Net patient service revenue	$ 634,467,678	$ 593,803,421

Continued

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at July 31, 2013 and 2012 is set forth in the following table. Assets limited as to use are classified as trading and are stated at fair value.

	2013	2012
By board for capital improvements:		
Money market funds	$ 7,152,468	$ 6,382,900
Certificates of deposit	371,246	366,170
Equity securities	10,133,280	6,110,884
Mutual funds – fixed income funds	21,229,073	49,803,608
Mutual funds – index funds	58,485,014	21,807,935
Mutual funds – growth funds	8,513,040	7,827,524
Real estate investment funds	9,694,363	7,780,217
Government debt securities	2,177,089	2,099,967
Corporate debt securities	1,005,480	1,013,126
Annuity contracts invested in equity securities	-	7,000,000
Alternative investments in hedge funds	64,618,083	58,354,801
Common collective trusts invested in equity securities	79,015,330	64,727,209
Limited partnerships invested in equity securities	31,083,654	24,282,612
Total board designated for capital improvements	293,478,120	257,556,953
By board for self insurance:		
Money market funds	5,763,411	-
Mutual funds – growth funds	26,191,702	20,128,830
Mutual funds – fixed income funds	19,600,941	14,716,348
Alternative investments in hedge funds	10,008,813	4,210,687
Total board designated for self-insurance	61,564,867	39,055,865

Continued

4. Investments, Continued

Assets Limited as to Use, Continued

	2013	2012
Under bond indenture agreement:		
Government debt securities	$ -	$ 1,664,022
Restricted by Phoebe Foundation, Inc.:		
Money market funds	2,036,524	2,365,147
Certificates of deposit	-	176,519
Equity securities	348,779	1,407,928
Mutual funds – fixed income funds	44,981	3,829,114
Mutual funds - index	1,343,810	-
Mutual funds – growth and other	4,273,068	-
Real estate investment funds	13,549	-
Corporate debt securities	-	169,269
Alternative investments in hedge funds	196,146	198,022
Common collective trusts invested in equity securities	369,190	459,729
Total restricted by Phoebe Foundation, Inc.	8,626,047	8,605,728
Permanently restricted:		
Money market funds	133,467	497,744
Mutual funds – fixed income funds	1,647,664	1,083,354
Total permanently restricted	1,781,131	1,581,098
Total assets limited as to use	$ 365,450,165	$ 308,463,666

Continued

4. Investments, Continued

Assets Limited as to Use, Continued

The following table provides a summary of the Corporation's investments as of July 31, 2013 and 2012, for which the cost basis of securities exceeds fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions:

	July 31, 2013					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ -	$ -	$ 9,852	$(1,146)	$ 9,852	$(1,146)
Mutual funds – growth	5,763,411	(133,432)	2,829,220	(334,372)	8,592,631	(467,804)
Alternative investments in hedge funds	-	-	841,574	(105,084)	841,574	(105,084)
Common collective trusts invested in equity securities	8,413,336	(411,055)	10,523,540	(1,458,984)	18,936,876	(1,870,039)
Limited partnerships invested in equity securities	-	-	1,995,000	(232,227)	1,995,000	(232,227)
Real estate investment trust	-	-	973,044	(7,664)	973,044	(7,664)
Total	$ 14,176,747	$(544,487)	$ 17,172,230	$(2,139,477)	$ 31,348,977	$(2,683,964)

Continued

4. Investments, Continued

Assets Limited as to Use, Continued

	July 31, 2012					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 345,102	$(195,646)	$ 493,701	$(178,867)	$ 838,803	$(374,513)
Mutual funds – growth	-	-	15,528,830	(1,683,900)	15,528,830	(1,683,900)
Alternative investments in hedge funds	6,208,097	(658,820)	-	-	6,208,097	(658,820)
Common collective trusts invested in equity securities	8,238,819	(3,771,578)	-	-	8,238,819	(3,771,578)
Limited partnerships invested in equity securities	-	-	1,930,273	(436,977)	1,930,273	(436,977)
Real estate investment trust	872,199	(60,821)	-	-	872,199	(60,821)
Total	$ 15,664,217	$(4,686,865)	$ 17,952,804	$(2,299,744)	$ 33,617,021	$(6,986,609)

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. In analyzing an issuer's financial condition, management considers whether the investments are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Continued

4. Investments, Continued

Assets Limited as to Use, Continued

Management has considered the nature of investments in an unrealized loss position, the cause of their impairment, the severity and duration of their impairment, the current global economic conditions, the Corporation's intentions to sell or ability to hold the investments, and other relevant information available to management in determining if investments are other than temporarily impaired. Based on an evaluation of these factors, the Corporation has concluded that the declines in fair values of the Corporation's investments reported in the above table are temporary.

Investment income, including realized gains and losses and unrealized gains and losses for the above trading securities are as follows for the years ending July 31, 2013 and 2012:

	2013	2012
Dividend income	$ 3,249,885	$ 2,847,379
Interest income	679,346	979,330
Realized gains (losses)	7,070,434	2,946,662
Investment expenses	(1,576,892)	(1,219,358)
Unrealized gains (losses)	35,535,066	(8,762,197)
Total	$ 44,957,839	$(3,208,184)

The Corporation's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Continued

4. Investments, Continued

Assets Limited as to Use, Continued

A comparison of the Corporation's investment holdings to the investment policy targets at July 31, 2013 and 2012 is set forth in the following table:

	2013			2012		
	Portfolio Total	Portfolio Allocation	Investment Policy Target	Portfolio Total	Portfolio Allocation	Investment Policy Target
U.S. equities	$ 104,856,418	29%	20%	$ 63,114,479	20%	20%
Non U.S. equities	57,590,238	16%	16%	45,267,681	15%	16%
Emerging markets	18,973,937	5%	6%	15,624,899	5%	6%
Hedge funds	71,485,464	20%	20%	67,115,122	22%	20%
Real assets	13,711,484	4%	13%	21,439,874	7%	13%
Opportunistic funds	-	- %	5%	10,956,074	4%	5%
U. S. fixed income	83,443,197	22%	20%	74,194,070	24%	20%
Cash and cash equivalents	15,389,427	4%	- %	10,751,467	3%	- %
Total	$ 365,450,165	100%	100%	$ 308,463,666	100%	100%

The Corporation's investment portfolio is managed by a variety of fund managers. Each fund may from time to time hold cash due to the timing of sales and purchases activity. Based on the investment policy target, the entire fund is considered to be invested.

5. Property and Equipment

A summary of property and equipment at July 31, 2013 and 2012 follows:

	2013	2012
Land	$ 32,321,972	$ 27,659,636
Land improvements	6,668,421	6,027,101
Building	435,158,225	376,178,672
Equipment	346,672,215	291,253,826
	820,820,833	701,119,235
Less accumulated depreciation	414,003,822	370,358,058
	406,817,011	330,761,177
Construction in progress	14,921,840	57,144,210
Net property and equipment	$ 421,738,851	$ 387,905,387

Continued

5. Property and Equipment, Continued

Depreciation expense for the years ended July 31, 2013 and 2012 amounted to approximately $41,113,000 and $32,714,000, respectively.

Construction contracts exist for various projects at year end with a total commitment of $786,000. At July 31, 2013, the remaining commitment on these contracts approximated $392,000.

6. Deferred Financing Costs

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Amortization expense and write-offs for the years ended July 31, 2013 and 2012 amounted to approximately $1,235,000 and $619,000, respectively.

7. Goodwill

Goodwill is related to the Corporation's purchase of an area hospital and health care clinics. The goodwill is evaluated annually for impairment.

The changes in the carrying amount of goodwill for the years ended July 31, 2013 and 2012, are as follows:

	2013	2012
Balance at beginning of year:		
Goodwill	$ 17,012,675	$ 16,482,077
Accumulated impairment losses	-	-
	17,012,675	16,482,077
Goodwill acquired during the year	157,581,006	530,598
Impairment losses	(43,929,294)	-
Balance at end of year:		
Goodwill	174,593,681	17,012,675
Accumulated impairment losses	(43,929,294)	-
Total	$ 130,664,387	$ 17,012,675

Continued

7. Goodwill, Continued

Due to an increase in the uninsured population as well as regulatory changes, the Corporation determined that the carrying amount of the net assets related to the Hospital formerly known as Palmyra exceeded their fair value. The fair value was computed using a combination of the discounted cash flow method and two market approach methods including the guideline public company method and the merger and acquisition method performed on July 1, 2013. Accordingly, the Corporation recognized an impairment loss of $43,929,294 for fiscal year 2013.

8. Other Receivables / Hospital Authority of Albany-Dougherty County, Georgia Lease Amendment

As of July 31, 2012, other receivables of approximately $217,900,000 represent amounts advanced to the Authority for the acquisition and subsequent operation of Palmyra.

On August 1, 2012, the Corporation leased Palmyra from the Authority which satisfied the receivable balance in full. Accordingly, the results of operations for Palmyra have been included in the accompanying financial statements from that date forward.

The lease was entered into for the purpose of gaining additional patient capacity.

Consideration for the lease comprised of the following (at fair value):	
Satisfaction of receivable from the Authority	$ 217,893,063

Goodwill in the amount of $157,581,000 was recognized in the lease of Palmyra and is attributable to a long history of successful operations resulting in strong earnings.

The following assets and liabilities were recognized in the lease (at fair value):

Cash	$ 17,316,845
Patient accounts receivable	9,092,766
Prepaid expenses, supplies, and other assets	3,212,113
Capital assets	38,225,103
Current liabilities	(7,534,770)
Total identifiable assets	60,312,057
Goodwill and other intangible assets	157,581,006
Total	$ 217,893,063

Continued

8. Other Receivables / Hospital Authority of Albany-Dougherty County, Georgia Lease Amendment, Continued

Intangible assets acquired include the trade name, certificate of need and other licenses, and non-compete covenants whose fair value is approximately $1,757,000.

The amounts of Palmyra's revenue and earnings included in the consolidated statements of operations and changes in net assets (from the inception of the lease) for 2013 are approximately $73,869,000 and $14,202,000, respectively. The following pro forma information is based on the assumption that the lease occurred on August 1, 2011.

	2013	2012
Operating revenue	$ 669,250,503	$ 680,184,315
Excess revenues	$ 2,620,731	$ 10,304,177

Costs related to the lease, which include legal, consulting, valuation, and other fees, of approximately $3,501,000 have been charged directly to operations and are included in the purchased services line in the 2013 consolidated statements of operations and changes in net assets.

The amounts above represent the fair value of assets acquired and liabilities assumed based on the completed valuation. The amounts changed by approximately $19,922,000 from the provisional amounts previously reported in the July 31, 2012 consolidated financial statements. A significant portion of this difference relates to the cash received through the lease, which was not included in the original purchase agreement between the Authority and Palmyra. These funds were advanced to the Authority by PPHS to fund the operation of Palmyra prior to the lease inception.

Continued

9. Other Assets

During the construction of the new hospital facility, the Corporation advanced the Sumter Authority approximately $35,000,000 for construction and other assets. The Corporation has also contributed funds toward the recruitment of physicians. The Corporation agreed to fund construction and recruitment at a maximum not to exceed $25,000,000 should amounts from federal and state agencies and other third parties be less than the actual costs of construction and recruitment. As of July 31, 2012, the Corporation has recorded a $25,000,000 contribution advance toward the construction of the new hospital contingent upon inadequate funding from federal and state agencies and other third parties. The remaining $10,000,000 is in other assets as a receivable. The Sumter Authority is pursuing receipt of funds from federal and state agencies and other third parties sufficient to repay the $35,000,000.

10. Short-Term Debt

The Corporation entered into a loan agreement with Bank of America for an amount of $100,000,000 bearing interest at LIBOR plus 0.29% with a maturity date of December 15, 2012 and collateralized by the executed loan agreement. The outstanding balance on the loan at July 31, 2012 was $100,000,000. The purpose of the loan agreement was to provide funds to the Authority for the purchase of Palmyra Park Hospital, LLC. The loan was repaid in full during 2013.

11. Long-Term Debt

	2013	2012
1993 Series Revenue Anticipation Certificates, paid off in January 2013.	$ -	$ 15,680,000
2008A Series Revenue Anticipation Certificates, payable in varying annual amounts from $1,565,000 in 2014 to $3,795,000 in 2033; bearing interest at a daily rate to be adjusted by the Remarketing Agent, refunded in December 2012.	-	49,840,000

Continued

11. Long-Term Debt, Continued

	2013	2012
2008B Series Revenue Anticipation Certificates, payable in varying annual amounts from $1,565,000 in 2014 to $3,790,000 in 2033; bearing interest at a daily rate to be adjusted by the Remarketing Agent, refunded in December 2012.	$ -	$ 49,750,000
2008A Series Refunding Revenue Anticipation Certificates, payable in varying annual amounts from $1,565,000 in 2014 to $3,795,000 in 2033; bearing interest at a variable rate based on a percentage of LIBOR plus a credit spread.	48,545,000	-
2008B Series Refunding Revenue Anticipation Certificates, payable in varying annual amounts from $1,565,000 in 2014 to $3,790,000 in 2033; bearing interest at a variable rate based on a percentage of LIBOR plus a credit spread.	48,460,000	-
2010A Series Revenue Anticipation Certificates, payable in varying annual amounts from $355,000 in 2014 to $11,355,000 in 2040; bearing interest at a monthly rate to be adjusted by the Remarketing Agent.	97,830,000	98,560,000

Continued

11. Long-Term Debt, Continued

	2013	2012
2012 Series Revenue Anticipation Certificates, payable in varying annual amounts from $1,725,000 in 2014 to $16,285,000 in 2043; bearing interest at a variable rate to be adjusted annually.	$ 107,900,000	$ -
	302,735,000	213,830,000
Less current portion	5,423,553	4,715,000
	297,311,447	209,115,000
Add unamortized premium	6,282,020	-
Less unamortized discount	-	50,482
	$ 303,593,467	$ 209,064,518

The Series 1993 Revenue Certificates were paid off in January 2013 pursuant to the prior redemption clause.

The Series 2008A and 2008B Revenue Certificates were converted from a daily variable rate with security provided by bank letters of credit to a variable rate based on a percentage of LIBOR plus a credit spread. The certificates were reissued as the Series 2008A and 2008B Refunding Revenue Certificates on December 7, 2012.

The Series 2010A Revenue Certificates were issued on July 9, 2010 for the purpose of reimbursing the Corporation for prior additions, extensions and improvements to the Corporation's facilities. The 2010A Revenue Certificates bear interest at a monthly rate adjusted by J. P. Morgan Chase Bank, N.A. The Corporation may convert the interest rate upon compliance with terms and provisions of the indenture.

The Series 2012 Revenue Certificates were issued on December 1, 2012 for the purposes of financing the costs of making certain additions, extensions, and capital improvements to its health care system. The Series 2012 Revenue Certificates bear interest at a variable rate adjusted annually.

Continued

11. Long-Term Debt, Continued

Series 1993, 2008A, 2008B, 2010A and 2012 Revenue Certificates are secured by all receipts of, and revenue, income and money derived from the Corporation's operation of the Hospital premises.

Under the terms of the 1993 Certificate Indenture, the Corporation is limited on the incurrence of additional borrowings and requires that the Corporation satisfy certain measures of financial performance as long as the notes are outstanding.

Scheduled principal repayments on long-term debt for the next five years are as follows:

Year	2008A	2008B	2010A	2012	Total
2014	$ 1,565,000	$ 1,565,000	$ 355,000	$ 1,725,000	$ 5,210,000
2015	1,600,000	1,595,000	285,000	2,310,000	5,790,000
2016	1,825,000	1,825,000	-	2,310,000	5,960,000
2017	1,780,000	1,770,000	120,000	2,500,000	6,170,000
2018	1,860,000	1,850,000	85,000	2,590,000	6,385,000
Thereafter	39,915,000	39,855,000	96,985,000	96,465,000	273,220,000
Total	$ 48,545,000	$ 48,460,000	$ 97,830,000	$ 107,900,000	$ 302,735,000

12. Derivative Financial Instruments

The Corporation entered into fixed pay and constant maturity swaps to effectively swap variable interest rates to fixed interest rates thus reducing the impact of interest rate changes on future interest expense. The fair market value of the swaps are reported in other liabilities on the balance sheet. The critical terms of the swaps are as follows:

$25MM Fixed Pay LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 22,650,926	$ 22,905,687
Fair market value	$(3,945,119)	$(6,894,910)
Life remaining on swap	13 Years	14 Years

Continued

12. Derivative Financial Instruments, Continued

$25MM Fixed Pay LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 22,650,926	$ 22,905,686
Fair market value	$(4,290,406)	$(7,291,224)
Life remaining on swap	13 Years	14 Years

$21.145MM Fixed Pay LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 19,158,152	$ 19,373,629
Fair market value	$(3,335,782)	$(5,831,714)
Life remaining on swap	13 Years	14 Years

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 39,370,090	$ 40,432,590
Fair market value	$ 3,063,717	$ 3,091,820
Life remaining on swap	19 Years	20 Years

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 39,370,091	$ 40,432,590
Fair market value	$ 3,150,006	$ 3,249,267
Life remaining on swap	19 Years	20 Years

Continued

12. Derivative Financial Instruments, Continued

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ -	$ 80,865,180
Fair market value	$ -	$(358,711)
Life remaining on swap	-	1 Year

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 22,650,926	$ -
Fair market value	$(763,544)	$ -
Life remaining on swap	19 Years	-

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 22,650,926	$ -
Fair market value	$(822,719)	$ -
Life remaining on swap	19 Years	-

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 19,158,152	$ -
Fair market value	$(695,856)	$ -
Life remaining on swap	19 Years	-

Constant Maturity LIBOR Swap – Non-Hedge

	2013	2012
Notional amount	$ 78,740,181	$ -
Fair market value	$ 844,482	$ -
Life remaining on swap	5 Years	-

Continued

12. Derivative Financial Instruments, Continued

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps has been adjusted to fair value at the end of the year which, because of changes in forecasted levels of the LIBOR, resulted in reporting a liability. As the net swaps were in a liability position as of July 31, 2013 and 2012, the Corporation deemed the capacity to perform on the part of the derivative counterparty to be of little or no concern; and no adjustment was applied to standard market valuation practices.

The swap results are included in excess revenues. For the years ending July 31, 2013 and 2012, this earnings impact totaled approximately $6,882,000 and $(7,404,000), respectively.

13. Temporarily and Permanently Restricted Net Assets

A summary of the restricted net assets at July 31, 2013 and 2012 follows:

	2013	2012
Temporarily Restricted Net Assets		
Restricted by Phoebe Foundation, Inc.	$ 4,496,165	$ 5,033,647
Permanently Restricted Net Assets		
Restricted investments to be held in perpetuity by Phoebe Foundation, Inc.	$ 1,781,131	$ 1,581,098

14. Pension Plan

The Corporation has a defined benefit pension plan covering all full time regular employees working 1,000 hours or more in a twelve month period with an employment date before December 31, 2006. The plan provides benefits that are based upon earnings and years of service. The Corporation's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The measurement dates were January 1, 2012 and 2011. The Corporation issues a publicly available financial report that includes financial statements and required supplementary information for the Retirement Plan for Employees of Phoebe Putney Health System, Inc. That report may be obtained by contacting the management of the Corporation.

Continued

14. Pension Plan, Continued

The following table sets forth the defined benefit pension plan funded status and amounts recognized in the financial statements at July 31, 2013 and 2012:

	2013	2012
Plan assets at fair value at July 31	$ 165,003,768	$ 150,375,259
Projected benefit obligation at July 31	268,157,293	289,274,601
Funded status	$(103,153,525)	$(138,899,342)
Amounts recognized in the consolidated balance sheet consist of:		
Noncurrent liabilities	$(103,153,525)	$(138,899,342)
Amounts recognized in unrestricted net assets:		
Net actuarial loss	$(74,314,252)	$(120,826,080)
Prior service cost not yet recognized in net periodic pension cost	(477,964)	(659,386)
Deferred pension cost	$(74,792,216)	$(121,485,466)
Weighted-average assumptions used to determine pension benefit obligations:		
Discount rate	5.30%	4.57%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	4.57%	5.41%
Expected long-term return on plan assets	8.75%	8.75%
Rate of compensation increase	4.00%	4.00%

The Corporation's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Continued

14. Pension Plan, Continued

The Corporation's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The following table sets forth the components of net periodic cost and other amounts recognized in unrestricted net assets for the years ended July 31, 2013 and 2012:

	2013	2012
Service cost	$ 14,356,617	$ 11,688,062
Interest cost	13,248,662	12,361,171
Expected return on plan assets	(14,168,537)	(12,182,271)
Amortization of prior service cost	181,422	181,422
Amortization of recognized net actuarial loss	7,064,269	3,276,175
Net periodic benefit cost	20,682,433	15,324,559
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial (gain) loss	(39,447,559)	62,349,691
Amortization of prior service cost	(181,422)	(181,422)
Amortization of net actuarial loss	(7,064,269)	(3,276,175)
Total recognized in unrestricted net assets	(46,693,250)	58,892,094
Total recognized in net periodic benefit cost and unrestricted net assets	$(26,010,817)	$ 74,216,653

Continued

14. Pension Plan, Continued

	2013	2012
Projected benefit obligation, beginning of year	$ 289,274,601	$ 222,867,378
Service cost	14,356,617	11,688,062
Interest cost	13,248,662	12,361,171
Actuarial (gain) or loss	(31,803,450)	46,967,870
Benefits paid	(16,919,137)	(4,609,880)
Projected benefit obligation, end of year	$ 268,157,293	$ 289,274,601
Accumulated benefit obligation	$ 217,525,690	$ 225,276,957

The change in fair value of plan assets for the years ended July 31, 2013 and 2012 included the following components:

	2013	2012
Plan assets at fair value, beginning of year	$ 150,375,259	$ 139,801,388
Actual return on assets	21,812,646	(3,199,550)
Employer contributions	9,735,000	18,383,301
Benefits paid	(16,919,137)	(4,609,880)
Plan assets at fair value, end of year	$ 165,003,768	$ 150,375,259

The Corporation anticipates making a contribution during fiscal year 2014 of $13,690,840.

Continued

14. Pension Plan, Continued

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending July 31	Pension Benefits
2014	$ 7,101,000
2015	$ 7,770,000
2016	$ 8,483,000
2017	$ 9,380,000
2018	$ 10,424,000
2019 – 2023	$ 71,184,000

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at July 31, 2013.

The actuarial loss and prior service cost to be recognized during the next 12 months beginning August 1, 2013 is as follows:

Amortization of net actuarial loss	$ 3,606,570
Amortization of prior year service costs	181,422
Total	$ 3,787,992

Continued

14. Pension Plan, Continued

Plan Assets

The composition of plan assets at July 31, 2013 and 2012 is as follows:

	Target Allocation	Pension Benefits 2013	Pension Benefits 2012
Asset category:			
Cash and cash equivalents	0%	6%	6%
U.S. equity securities	20%	24%	22%
Fixed income	20%	20%	23%
Real assets	13%	4%	4%
Opportunistic	5%	5%	5%
Hedge funds	20%	19%	20%
Non U.S. equity securities	16%	17%	15%
Emerging markets	6%	5%	5%
Total	100%	100%	100%

The Corporation's investment strategy is to manage the portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds. The portfolio is diversified by investing in multiple types of investment-grade securities. The investment policy requires assets of the plan to be primarily invested in securities with at least an investment grade rating to minimize interest rate and credit risk. The plan assets are long-term in nature and are intended to generate returns while preserving capital.

Pension assets are invested in equities, debt securities, cash and cash equivalents, hedge funds, and U.S. government securities. The allocation between different investment vehicles is determined by the Corporation, based on current market conditions, short-term and long-term market outlooks, and cash needs for distributions and plan expenses. Assumptions for expected returns on plan assets are based on historical performance, long-term market outlook, and a diversified investment approach designed to provide steady, consistent returns that minimize market fluctuations. The Corporation utilizes the services of a professional investment advisor in the selection of individual fund managers. The investment advisor tracks the performance of each fund manager and makes recommendations for redistributions, as needed, to comply with targeted allocations or to replace underperforming funds.

Continued

14. Pension Plan, Continued

The Corporation attempts to mitigate investment risk by rebalancing between investment classes as the Corporation's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains or losses would not be realized unless the investments are sold.

The fair values of the Corporation's pension plan assets at July 31, 2013 and 2012, by asset category are as follows:

	Fair Value Measurements at July 31, 2013			
Asset Category	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 9,261,130	$ 11,400	$ 9,249,730	$ -
U.S. equity securities	39,911,652	11,349,551	13,809,829	14,752,272
Fixed income	33,231,334	-	33,231,334	-
Real assets	7,086,831	4,800,583	1,951,498	334,750
Opportunistic	8,099,923	-	8,099,923	-
Hedge funds	30,086,473	-	21,216,876	8,869,597
Non U.S. equity securities	28,518,363	-	17,241,033	11,277,330
Emerging markets	8,808,062	-	8,808,062	-
Total	$ 165,003,768	$ 16,161,534	$ 113,608,285	$ 35,233,949

Continued

14. Pension Plan, Continued

	Fair Value Measurements at July 31, 2012			
	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Cash and cash equivalents	$ 9,652,969	$ 1,500,000	$ 8,152,969	$ -
U.S. equity securities	33,529,046	8,847,122	14,009,501	10,672,423
Fixed income	33,954,690	-	33,954,690	-
Real assets	6,079,495	3,767,073	2,016,982	295,440
Opportunistic	7,058,785	-	7,058,785	-
Hedge funds	30,139,157	-	20,441,992	9,697,165
Non U.S. equity				
Non U.S. equity securities	23,130,814	-	11,973,041	11,157,773
Emerging markets	6,830,303	-	6,830,303	-
Total	$ 150,375,259	$ 14,114,195	$ 104,438,263	$ 31,822,801

Continued

14. Pension Plan, Continued

The following table sets forth additional information for assets valued at NAV which are greater than 5% of total investments.

	as of July 31, 2013			
	Fair Value	Unfunded Commitments	Restrictions on Redemption Frequency	Redemption Notice Period
U.S. equity securities	$ 14,752,272	10% Gate	Quarterly	60 Days
Hedge funds	$ 1,843,056	15% Share Class H	Annually	45 Days
Hedge funds	1,989,574	None	Annually	90 Days
Hedge funds	2,053,682	None	Annually	90 Days
Hedge funds	1,587,105	25% Share Class A	Annually	90 Days
Hedge funds	1,396,180	25% Share Class A	Annually	90 Days
	$ 8,869,597			
Non U.S. equity securities	$ 5,687,254	None	Monthly	15 Business Days
Non U.S. equity securities	5,590,076	None	Bi-monthly	5 Days
	$ 11,277,330			

Continued

14. Pension Plan, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Non U.S. Equities	U.S. Equities	Real Assets	Hedge Funds	Total
July 31, 2011	$ 12,717,273	$ 9,398,412	$ 195,540	$ 10,582,540	$ 32,893,765
Realized and unrealized gains (losses) included in other nonoperating revenue	(1,779,362)	1,274,011	900	17,197	(487,254)
Purchases	260,680	-	99,000	-	359,680
Sales	(40,818)	-	-	(902,572)	(943,390)
July 31, 2012	11,157,773	10,672,423	295,440	9,697,165	31,822,801
Realized and unrealized gains (losses) included in other nonoperating revenue	1,974,776	3,329,849	8,060	1,463,515	6,776,200
Purchases	198,955	750,000	31,250	300,000	1,280,205
Sales	(2,054,174)	-	-	(2,591,083)	(4,645,257)
July 31, 2013	$ 11,277,330	$ 14,752,272	$ 334,750	$ 8,869,597	$ 35,233,949

Continued

14. Pension Plan, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The Corporation maintains defined contribution pension plans covering substantially all eligible employees. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the Corporation matches 50% of each participant's voluntary contributions up to a maximum of 4% of the employee's annual salary. Matching contribution expenses for the years ended July 31, 2013 and 2012 totaled approximately $3,529,000 and $3,190,000, respectively. For 2013 and 2012, the total discretionary contributions paid totaled approximately $-0- and $3,343,000, respectively.

The Corporation maintains an unfunded Supplemental Executive Retirement plan ("SERP"), which provides retirement benefits to certain officers and select employees. This plan is non-qualified and does not have a minimum funding requirement. The liability for this SERP obligation is included in accrued expenses in the accompanying balance sheets.

15. Employee Health Insurance

The Corporation has a self-insurance program under which a third-party administrator processes and pays claims. The Corporation reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of $150,000 for each individual employee. Total expenses related to this plan were approximately $47,999,000 and $27,605,000 for 2013 and 2012, respectively.

16. Malpractice Insurance

Effective August 1, 2006, Phoebe Putney Indemnity, LLC (PPI), located in South Carolina, issued a claims-made policy covering professional and general liabilities, personal injury, advertising injury liability, and contractual liability of the Corporation with a retroactive date of January 1, 1990. Under the policy, the limit of liability is $5,000,000 per occurrence, with an annual aggregate of $23,000,000.

Continued

16. Malpractice Insurance, Continued

PPI also provides excess liability coverage to the Corporation, which covers $25,000,000 per occurrence in excess of the underlying insurance coverage of $30,000,000 for the years ending July 31, 2013 and 2012. The excess policy has an annual aggregate limit of $25,000,000. All of the risk related to this coverage has been ceded to unrelated reinsurers via a contract of reinsurance.

Various claims and assertions have been made against the Corporation in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

17. Concentrations of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are residents of Southwest Georgia and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at July 31, 2013 and 2012 was as follows:

	2013	2012
Medicare	37%	26%
Medicaid	17%	20%
Blue Cross	14%	17%
Commercial	14%	23%
Patients	18%	14%
Total	100%	100%

At July 31, 2013, the Corporation had deposits at major financial institutions which exceeded the $250,000 Federal Deposit Insurance Corporation limits. Management believes the credit risks related to these deposits is minimal.

Continued

18. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	July 31,	
	2013	2012
Patient care services	$ 399,443,823	$ 340,851,750
General and administrative	227,465,304	223,304,787
Depreciation and amortization	41,113,350	32,714,196
Interest expense	7,474,231	5,680,033
Total	$ 675,496,708	$ 602,550,766

19. Fair Values of Financial Instruments

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

- Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

- Assets limited as to use: Fair values, which are the amounts reported in the balance sheet are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. See Note 20 for fair value measurement disclosures.

- Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

- Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

- Derivative financial instruments: The carrying amount reported in the balance sheet for derivative financial instruments approximates its fair value. See Note 20 for fair value measurement disclosures.

Continued

19. Fair Values of Financial Instruments, Continued

- Short-term and long-term debt: Fair values of the Corporation's revenue notes are based on current traded value. The fair value of the Corporation's remaining debt is estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount reported in the balance sheet for debt approximates its fair value. Based on inputs used in determining the estimated fair value, the Corporation's long-term debt would be classified as Level 2 in the fair value hierarchy.

20. Fair Value Measurement

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at July 31, 2013 and 2012.

- Money market funds and certificates of deposit: Valued at amortized cost, which approximates fair value.

- Equity securities: Certain equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Other equity securities are valued based on quoted prices for similar investments in active or inactive markets or valued using observable market data. When quoted prices or observable inputs are not available, securities are valued using management's assumptions about the assumptions market participants would utilize in pricing the security.

- Mutual funds and alternative investments in hedge funds: Valued at the net asset value (NAV) of shares held at year end. Certain investments invest in a variety of growth and value assets. Management of the funds has the ability to shift investments as they feel necessary to meet established goals.

- Real estate investment trusts: Valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

Continued

20. Fair Value Measurement, Continued

- Corporate debt securities: Certain corporate securities are valued at the closing price reported in the active market in which the security is traded. Other corporate securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

- Government debt securities: Certain U. S. government securities are valued at the closing price reported in the active market in which the individual security is traded. Other U.S. governmental securities are based on yields currently available on comparable securities of issuers with similar credit ratings.

- Common collective trusts: Valued using net asset value (NAV). The NAV's are based on fair value, determined based on prices quoted and published by the investment manager of the accounts. Quoted prices are determined based on fair value of the underlying assets.

- Limited partnerships invested in equity securities: Determined using market values of underlying assets held by the limited partnerships. The limited partnerships invest in a variety of equity securities, some of which do not have readily available market prices. In the absence of readily available market prices, the fair values are estimated by the investment managers of those equity securities. Estimated values may differ from the values that would have been used if readily available market prices existed or if the equity securities were liquidated at the valuation date.

- Derivatives: Valued using forward LIBOR curves. Values are then verified against counterparty mark-to-market valuations.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Continued

20. Fair Value Measurement, Continued

The following table sets forth additional information for assets valued at NAV:

	as of July 31, 2013			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual funds – fixed income funds	$ 42,321,859	None	Monthly	10 – 30 Days
Mutual funds – index funds	$ 59,828,824	None	No Restrictions	3 Days
Mutual funds – growth funds	$ 35,713,814	None	Daily	Daily
Alternative investments in hedge funds	$ 74,823,042	None – 25% Share Class A	Monthly – Annually	30 – 90 Days
Common collective trusts invested in equity securities	$ 79,384,520	None – 25% Gate	Monthly – Quarterly	6 – 95 Days
Limited partnerships invested in equity securities	$ 31,083,654	None	None	None

	as of July 31, 2012			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual funds – fixed income funds	$ 39,208,297	None	Monthly	10 – 30 Days
Mutual funds – index funds	$ 57,948,673	None	No Restrictions	3 Days
Mutual funds – growth funds	$ 27,956,350	None	Daily	Daily
Alternative investments in hedge funds	$ 66,956,015	None – 25% Share Class A	Monthly – Annually	30 – 90 Days
Common collective trusts invested in equity securities	$ 60,209,977	None – 25% Gate	Monthly – Quarterly	6 – 95 Days
Limited partnerships invested in equity securities	$ 24,282,612	None	None	None

Continued

20. Fair Value Measurement, Continued

Fair values of assets and liabilities measured on a recurring basis at July 31, 2013 and 2012 is follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
July 31, 2013				
Assets:				
Money market funds	$ 15,085,870	$ 21,967	$ 15,063,903	$ -
Certificates of deposit	371,246	-	371,246	-
Equity securities	10,482,059	8,495,372	1,986,687	-
Mutual funds – fixed income funds	42,321,859	1,491,845	21,229,073	19,600,941
Mutual funds – index funds	59,828,824	490,830	59,337,994	-
Mutual funds – growth and other funds	39,178,610	39,178,610	-	-
Real estate investment trusts	9,707,912	9,707,912	-	-
Corporate debt securities	1,005,480	-	1,005,480	-
Government debt securities	2,177,089	-	2,177,089	-
Alternative investments in hedge funds	74,823,042	-	42,366,800	32,456,242
Common collective trusts invested in equity securities	79,384,520	-	57,455,932	21,928,588
Limited partnerships invested in equity securities	31,083,654	-	3,902,995	27,180,659
Total assets	$ 365,450,165	$ 59,386,536	$ 204,897,199	$ 101,166,430
Liabilities:				
Derivatives	$ 6,795,221	$ -	$ 6,795,221	$ -

Continued

20. Fair Value Measurement, Continued

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
July 31, 2012				
Assets:				
Money market funds	$ 11,200,711	$ 2,500,271	$ 8,700,440	$ -
Certificates of deposit	542,689	-	542,689	-
Equity securities	7,894,911	6,946,872	948,039	-
Mutual funds – fixed income funds	39,208,297	3,829,114	20,662,835	14,716,348
Mutual funds – index funds	57,948,673	129,984	57,818,689	-
Mutual funds – growth funds	27,956,350	26,356,350	1,600,000	-
Real estate investment trusts	6,233,694	6,233,694	-	-
Corporate debt securities	2,265,748	-	2,265,748	-
Government debt securities	3,763,989	-	3,763,989	-
Alternative investments in hedge funds	66,956,015	-	37,185,240	29,770,775
Common collective trusts invested in equity securities	60,209,977	-	42,809,939	17,400,038
Limited partnerships invested in equity securities	24,282,612	-	4,033,981	20,248,631
Total assets	$ 308,463,666	$ 45,996,285	$ 180,331,589	$ 82,135,792
Liabilities:				
Derivatives	$ 14,035,472	$ -	$ 14,035,472	$ -

Continued

20. Fair Value Measurement, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Mutual Funds – Fixed Income Funds	Common Collective Trusts Invested in Equity Securities	Limited Partnerships Invested in Equity Securities	Alternative Investments in Hedge Funds	Total
July 31, 2011	$ 12,111,145	$ 21,859,755	$ 19,952,449	$ 29,121,319	$ 83,044,668
Realized and unrealized gains (losses) included in other nonoperating revenue	251,121	(2,880,386)	2,348,932	592,033	311,700
Purchases	2,354,082	-	197,250	1,791,313	4,342,645
Sales	-	(1,579,331)	(2,250,000)	(1,733,890)	(5,563,221)
July 31, 2012	14,716,348	17,400,038	20,248,631	29,770,775	82,135,792
Realized and unrealized gains (losses) included in other nonoperating revenue	168,361	3,279,384	6,119,528	3,811,202	13,378,475
Purchases	4,716,232	1,349,404	812,500	6,398,277	13,276,413
Sales	-	(100,238)	-	(7,524,012)	(7,624,250)
July 31, 2013	$ 19,600,941	$ 21,928,588	$ 27,180,659	$ 32,456,242	$ 101,166,430

Continued

21. Related Party Transactions

The Corporation has contracts with certain hospitals in the surrounding area to provide management services. The agreements automatically renew for successive terms of one year unless either party provides written notice with intent to terminate the agreement at least sixty days prior to termination.

22. Commitments and Contingencies

Compliance Plan

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The Corporation has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Corporation.

Litigation

The Corporation is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results from operations.

Continued

23. Electronic Health Record Incentive Payments

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in Medicare reimbursements beginning in FY 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

The final rule set the earliest interim payment date for the incentive payment at May 2011. The first year of the Medicare portion of the program is defined as the federal government fiscal year October 1, 2010 to September 30, 2011.

PPMH, PWMC, and PSMC each recognize income related to the Medicare and Medicaid incentive payments using a grant model based upon when each has determined that it is reasonably assured that PPMH, PWMC, and PSMC each will be meaningfully using EHR technology for the applicable period and the cost report information is reasonably estimable.

PPMH, PWMC, and PSMC each successfully demonstrated meeting meaningful use of certified EHR technology prior to July 31, 2013. PPMH, PWMC and PSMC each applied for and received approval from Medicare and Medicaid notifying that each qualified for the two programs. As of July 31, 2013, PPMH, PWMC, and PSMC qualified for and received approximately $4,900,000 which has been recorded in other revenue.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

Board of Directors
Phoebe Putney Health System, Inc.
Albany, Georgia

We have audited the consolidated financial statements of Phoebe Putney Health System, Inc. and subsidiaries as of and for the years ended July 31, 2013 and 2012, and our report thereon dated November 7, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in this report on pages 61 to 72, inclusive, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the balance sheet and statement of excess revenues (expenses) of the individual companies, and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies.

The consolidating 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. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Phoebe Putney Indemnity, LLC, is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Draffin & Tucker, LLP

Albany, Georgia
November 7, 2013

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PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET
July 31, 2013

	Phoebe Putney Health System, Inc.	Phoebe Putney Memorial Hospital, Inc.	Phoebe Putney Health Ventures, Inc.
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,449,447	$ 51,192,263	$ 444,450
Patient accounts receivable, net	-	101,079,896	-
Due from related parties	43,608,512	-	500,000
Supplies, at lower of cost (first-in, first-out) or market	-	11,454,190	-
Estimated third-party payor settlements	-	8,250,252	-
Other current assets	1,193,446	12,858,260	403,735
Total current assets	51,251,405	184,834,861	1,348,185
Assets limited as to use:			
Internally designated for capital improvements	286,015,439	3,412,161	-
Internally designated for self-insurance	-	-	-
Restricted by Phoebe Foundation, Inc.	-	-	-
Permanently restricted	-	-	-
Total assets limited as to use	286,015,439	3,412,161	-
Property and equipment, net	44,079,550	313,040,999	4,762,555
Other assets:			
Deferred financing cost	-	3,188,380	-
Goodwill	4,330,000	124,991,769	-
Other assets	50,582,081	11,847,639	1,225,746
Total other assets	54,912,081	140,027,788	1,225,746
Total assets	$ 436,258,475	$ 641,315,809	$ 7,336,486

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET, Continued
July 31, 2013

Phoebe Physician Group, Inc.	Phoebe Worth Medical Center, Inc.	Phoebe Sumter Medical Center, Inc.	Phoebe Putney Indemnity, LLC	Phoebe Foundation, Inc.	Eliminations	Consolidated
$ 5,830,411	$ 4,141,663	$ 16,665,678	$ 12,176,791	$ 835,341	$ -	$ 97,736,044
10,986,704	1,985,286	6,962,621	-	-	-	121,014,507
-	-	-	-	-	(44,108,512)	-
-	137,791	748,245	-	-	-	12,340,226
-	(140,795)	(187,610)	-	-	-	7,921,847
1,864,277	196,077	1,747,540	8,751	16,143	(3,818,644)	14,469,585
18,681,392	6,320,022	25,936,474	12,185,542	851,484	(47,927,156)	253,482,209
-	-	4,050,520	-	-	-	293,478,120
-	-	-	61,564,867	-	-	61,564,867
-	-	-	-	8,826,847	-	8,826,847
-	-	-	-	1,580,331	-	1,580,331
-	-	4,050,520	61,564,867	10,407,178	-	365,450,165
1,977,607	4,843,653	52,825,075	-	209,412	-	421,738,851
-	-	-	-	-	-	3,188,380
1,342,618	-	-	-	-	-	130,664,387
121,746	-	3,700,118	-	89,350	(35,990,349)	31,576,331
1,464,364	-	3,700,118	-	89,350	(35,990,349)	165,429,098
$ 22,123,363	$ 11,163,675	$ 86,512,187	$ 73,750,409	$ 11,557,424	$(83,917,505)	$ 1,206,100,323

See accompanying auditor's report on consolidating information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET, Continued
July 31, 2013

	Phoebe Putney Health System, Inc.	Phoebe Putney Memorial Hospital, Inc.	Phoebe Putney Health Ventures, Inc.
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	$ -	$ 5,423,553	$ -
Accounts payable	6,557,257	13,227,078	-
Accrued expenses	1,689,588	30,969,364	180,632
Total current liabilities	8,246,845	49,619,995	180,632
Due to related parties	-	14,515,863	958,075
Long-term debt, net of current portion	-	303,593,467	-
Accrued pension cost	-	103,153,525	-
Accrued self-insurance cost	-	-	-
Derivative financial instruments	-	6,795,221	-
Total liabilities	8,246,845	477,678,071	1,138,707
Net assets:			
Unrestricted	428,011,630	157,360,442	6,197,779
Temporarily restricted	-	4,496,165	-
Permanently restricted	-	1,781,131	-
Total net assets	428,011,630	163,637,738	6,197,779
Total liabilities and net assets	$ 436,258,475	$ 641,315,809	$ 7,336,486

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET, Continued
July 31, 2013

Phoebe Physician Group, Inc.	Phoebe Worth Medical Center, Inc.	Phoebe Sumter Medical Center, Inc.	Phoebe Putney Indemnity, LLC	Phoebe Foundation, Inc.	Eliminations	Consolidated
$ -	$ -	$ -	$ -	$ -	$ -	$ 5,423,553
3,121,809	387,489	1,209,386	-	52,943	-	24,555,962
20,059,175	1,342,215	3,764,013	3,863,360	-	(3,818,644)	58,049,703
23,180,984	1,729,704	4,973,399	3,863,360	52,943	(3,818,644)	88,029,218
603,231	12,368,396	15,662,947	-	-	(44,108,512)	-
-	-	-	-	-	-	303,593,467
-	-	-	-	-	-	103,153,525
-	-	-	48,660,145	-	-	48,660,145
-	-	-	-	-	-	6,795,221
23,784,215	14,098,100	20,636,346	52,523,505	52,943	(47,927,156)	550,231,576
(1,660,852)	(2,934,425)	65,875,841	21,226,904	5,585,922	(30,071,790)	649,591,451
-	-	-	-	4,338,228	(4,338,228)	4,496,165
-	-	-	-	1,580,331	(1,580,331)	1,781,131
(1,660,852)	(2,934,425)	65,875,841	21,226,904	11,504,481	(35,990,349)	655,868,747
$ 22,123,363	$ 11,163,675	$ 86,512,187	$ 73,750,409	$ 11,557,424	$(83,917,505)	$ 1,206,100,323

See accompanying auditor's report on consolidating information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET
July 31, 2012

	Phoebe Putney Health System, Inc.	Phoebe Putney Memorial Hospital, Inc.	Phoebe Putney Health Ventures, Inc.
ASSETS			
Current assets:			
Cash and cash equivalents	$ 13,807,011	$ 70,939,255	$ 295,755
Assets limited as to use – current	-	1,664,022	-
Patient accounts receivable, net	-	78,551,918	-
Due from related parties	-	184,257,320	-
Supplies, at lower of cost (first-in, first-out) or market	-	7,120,264	-
Estimated third-party payor settlements	-	6,545,126	-
Other current assets	303,900	3,401,266	428,663
Total current assets	14,110,911	352,479,171	724,418
Assets limited as to use:			
Internally designated for capital improvements	237,277,883	16,145,491	-
Internally designated for self-insurance	-	-	-
Under bond indenture agreement	-	1,664,022	-
Investments	-	-	-
Restricted by Phoebe Foundation, Inc.	-	-	-
Permanently restricted	-	-	-
Total assets limited as to use	237,277,883	17,809,513	-
Less amount required to meet current obligations	-	1,664,022	-
Assets limited as to use – long-term	237,277,883	16,145,491	-
Property and equipment, net	42,982,556	278,233,195	4,936,522
Other assets:			
Deferred financing cost	-	3,029,453	-
Goodwill	4,330,000	11,340,057	-
Other receivables	214,886,360	3,006,703	-
Other assets	22,515,582	11,655,907	1,361,534
Total other assets	241,731,942	29,032,120	1,361,534
Total assets	$ 536,103,292	$ 675,889,977	$ 7,022,474

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET, Continued
July 31, 2012

Phoebe Physician Group, Inc.	Phoebe Worth Medical Center, Inc.	Phoebe Sumter Medical Center, Inc.	Phoebe Putney Indemnity, LLC	Phoebe Foundation, Inc.	Eliminations	Consolidated
$ 8,717,742	$ 2,955,604	$ 4,999,719	$ 10,059,873	$ 929,930	$ -	$ 112,704,889
-	-	-	-	-	-	1,664,022
9,833,597	2,589,868	8,037,754	-	-	-	99,013,137
-	-	-	-	-	(184,257,320)	-
-	156,750	889,497	-	-	-	8,166,511
-	(213,825)	(952,155)	-	-	-	5,379,146
1,027,962	151,544	2,721,815	8,750	48,801	-	8,092,701
19,579,301	5,639,941	15,696,630	10,068,623	978,731	(184,257,320)	235,020,406
-	-	4,133,579	-	-	-	257,556,953
-	-	-	39,055,865	-	-	39,055,865
-	-	-	-	-	-	1,664,022
-	-	-	-	1,632,673	(1,632,673)	-
-	-	-	-	6,973,055	1,632,673	8,605,728
-	-	-	-	1,581,098	-	1,581,098
-	-	4,133,579	39,055,865	10,186,826	-	308,463,666
-	-	-	-	-	-	1,664,022
-	-	4,133,579	39,055,865	10,186,826	-	306,799,644
1,852,812	3,298,450	56,405,060	-	196,792	-	387,905,387
-	-	-	-	-	-	3,029,453
1,342,618	-	-	-	-	-	17,012,675
-	-	-	-	-	-	217,893,063
95,986	-	3,235,012	-	89,350	(16,161,744)	22,791,627
1,438,604	-	3,235,012	-	89,350	(16,161,744)	260,726,818
$ 22,870,717	$ 8,938,391	$ 79,470,281	$ 49,124,488	$ 11,451,699	$(200,419,064)	$ 1,190,452,255

See accompanying auditor's report on consolidating information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET, Continued
July 31, 2012

	Phoebe Putney Health System, Inc.	Phoebe Putney Memorial Hospital, Inc.	Phoebe Putney Health Ventures, Inc.
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	$ -	$ 4,715,000	$ -
Short-term debt	-	100,000,000	-
Accounts payable	1,833,086	15,927,169	4,317
Accrued expenses	3,114,077	25,309,608	196,314
Total current liabilities	4,947,163	145,951,777	200,631
Due to related parties	157,789,053	-	916,164
Long-term debt, net of current portion	-	209,064,518	-
Accrued pension cost	-	138,899,342	-
Accrued self-insurance cost	-	-	-
Derivative financial instruments	-	14,035,472	-
Total liabilities	162,736,216	507,951,109	1,116,795
Net assets:			
Unrestricted	373,367,076	161,324,123	5,905,679
Temporarily restricted	-	5,033,647	-
Permanently restricted	-	1,581,098	-
Total net assets	373,367,076	167,938,868	5,905,679
Total liabilities and net assets	$ 536,103,292	$ 675,889,977	$ 7,022,474

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEET, Continued
July 31, 2012

Phoebe Physician Group, Inc.	Phoebe Worth Medical Center, Inc.	Phoebe Sumter Medical Center, Inc.	Phoebe Putney Indemnity, LLC	Phoebe Foundation, Inc.	Eliminations	Consolidated
$ -	$ -	$ -	$ -	$ -	$ -	$ 4,715,000
-	-	-	-	-	-	100,000,000
1,278,317	303,201	937,991	-	94,339	-	20,378,420
14,765,196	1,301,634	3,544,384	43,848	-	-	48,275,061
16,043,513	1,604,835	4,482,375	43,848	94,339	-	173,368,481
8,488,056	8,684,854	8,379,193	-	-	(184,257,320)	-
-	-	-	-	-	-	209,064,518
-	-	-	-	-	-	138,899,342
-	-	-	48,830,640	-	-	48,830,640
-	-	-	-	-	-	14,035,472
24,531,569	10,289,689	12,861,568	48,874,488	94,339	(184,257,320)	584,198,453
(1,660,852)	(1,351,298)	66,608,713	250,000	4,742,615	(9,546,999)	599,639,057
-	-	-	-	5,033,647	(5,033,647)	5,033,647
-	-	-	-	1,581,098	(1,581,098)	1,581,098
(1,660,852)	(1,351,298)	66,608,713	250,000	11,357,360	(16,161,744)	606,253,802
$ 22,870,717	$ 8,938,391	$ 79,470,281	$ 49,124,488	$ 11,451,699	$(200,419,064)	$ 1,190,452,255

See accompanying auditor's report on consolidating information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING STATEMENT OF EXCESS REVENUES (EXPENSES)
July 31, 2013

	Phoebe Putney Health System, Inc.	Phoebe Putney Memorial Hospital, Inc.	Phoebe Putney Health Ventures, Inc.
Unrestricted revenues, gains and other support:			
Patient service revenue (net of contractuals and discounts)	$ -	$ 574,437,910	$ -
Provision for bad debts	-	(79,064,262)	-
Net patient service revenue	-	495,373,648	-
Other revenue	22,026,099	20,313,993	3,027,652
Total revenues, gains, and other support	22,026,099	515,687,641	3,027,652
Expenses:			
Salaries and wages	9,726,128	184,058,632	839,792
Employee health and welfare	1,408,820	73,858,218	243,482
Medical supplies and other	(710,516)	189,558,888	1,301,051
Purchased services	8,637,174	44,469,008	232,703
Depreciation and amortization	1,731,084	32,778,369	198,740
Interest	5,015	7,468,176	-
Total expenses	20,797,705	532,191,291	2,815,768
Operating income (loss)	1,228,394	(16,503,650)	211,884
Nonoperating gains (losses):			
Investment income (loss)	53,416,157	9,294,831	80,213
Loss on impairment of goodwill	-	(43,929,294)	-
Total nonoperating gains (losses)	53,416,157	(34,634,463)	80,213
Excess revenues (expenses)	$ 54,644,551	$(51,138,113)	$ 292,097

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING STATEMENT OF EXCESS REVENUES (EXPENSES), Continued
July 31, 2013

Phoebe Physician Group, Inc.	Phoebe Worth Medical Center, Inc.	Phoebe Sumter Medical Center, Inc.	Phoebe Putney Indemnity, LLC	Phoebe Foundation, Inc.	Eliminations	Consolidated
$ 90,020,967	$ 16,138,073	$ 62,963,986	$ -	$ -	$ -	$ 743,560,936
(16,462,250)	(2,600,757)	(10,965,989)	-	-	-	(109,093,258)
73,558,717	13,537,316	51,997,997	-	-	-	634,467,678
3,712,072	1,726,133	4,008,315	13,497,726	1,333,878	(34,863,043)	34,782,825
77,270,789	15,263,449	56,006,312	13,497,726	1,333,878	(34,863,043)	669,250,503
106,196,526	6,888,118	17,712,107	-	-	(20,457,695)	304,963,608
16,372,705	2,205,746	5,289,435	-	-	-	99,378,406
(36,470,814)	3,862,020	21,361,268	2,040,889	609,143	(15,720,674)	165,831,255
(9,070,651)	3,183,175	7,969,123	-	-	1,315,326	56,735,858
280,230	707,517	5,416,210	-	1,200	-	41,113,350
1,040	-	-	-	-	-	7,474,231
77,309,036	16,846,576	57,748,143	2,040,889	610,343	(34,863,043)	675,496,708
(38,247)	(1,583,127)	(1,741,831)	11,456,837	723,535	-	(6,246,205)
38,247	-	131,587	4,770,067	-	(14,934,872)	52,796,230
-	-	-	-	-	-	(43,929,294)
38,247	-	131,587	4,770,067	-	(14,934,872)	8,866,936
$ -	$(1,583,127)	$(1,610,244)	$ 16,226,904	$ 723,535	$(14,934,872)	$ 2,620,731

See accompanying auditor's report on consolidating information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING STATEMENT OF EXCESS REVENUES (EXPENSES)
July 31, 2012

	Phoebe Putney Health System, Inc.	Phoebe Putney Memorial Hospital, Inc.	Phoebe Putney Health Ventures, Inc.
Unrestricted revenues, gains and other support:			
Patient service revenue (net of contractuals and discounts)	$ -	$ 510,591,675	$ -
Provision for bad debts	(726,454)	(43,996,875)	-
Net patient service revenue	(726,454)	466,594,800	-
Other revenue	35,376,751	13,321,929	5,435,948
Total revenues, gains, and other support	34,650,297	479,916,729	5,435,948
Expenses:			
Salaries and wages	10,254,191	164,089,902	1,105,248
Employee health and welfare	1,369,344	45,718,683	357,204
Medical supplies and other	4,007,695	166,699,263	3,549,043
Purchased services	5,616,613	56,901,202	246,211
Depreciation and amortization	1,737,721	25,425,813	174,933
Interest	8,823	5,660,312	-
Total expenses	22,994,387	464,495,175	5,432,639
Operating income	11,655,910	15,421,554	3,309
Nonoperating gains (losses):			
Investment income (loss)	(9,570,822)	(6,361,479)	(12,446)
Excess revenues (expenses)	$ 2,085,088	$ 9,060,075	$(9,137)

PHOEBE PUTNEY HEALTH SYSTEM, INC.

CONSOLIDATING STATEMENT OF EXCESS REVENUES (EXPENSES), Continued
July 31, 2012

Phoebe Physician Group, Inc.	Phoebe Worth Medical Center, Inc.	Phoebe Sumter Medical Center, Inc.	Phoebe Putney Indemnity, LLC	Phoebe Foundation, Inc.	Eliminations	Consolidated
$ 75,316,643	$ 18,151,025	$ 62,114,256	$ -	$ -	$ -	$ 666,173,599
(13,277,698)	(2,983,217)	(11,385,934)	-	-	-	(72,370,178)
62,038,945	15,167,808	50,728,322	-	-	-	593,803,421
49,098,302	970,904	2,527,890	10,942,001	1,023,641	(92,699,176)	25,998,190
111,137,247	16,138,712	53,256,212	10,942,001	1,023,641	(92,699,176)	619,801,611
84,752,854	7,114,487	17,727,172	-	-	(16,932,916)	268,110,938
10,823,147	2,434,889	5,119,901	-	-	-	65,823,168
9,443,528	3,949,696	22,390,177	15,891,694	382,176	(49,348,892)	176,964,380
5,850,892	3,218,176	7,381,054	-	-	(25,956,097)	53,258,051
298,353	365,278	4,710,901	-	1,197	-	32,714,196
10,898	-	-	-	-	-	5,680,033
111,179,672	17,082,526	57,329,205	15,891,694	383,373	(92,237,905)	602,550,766
(42,425)	(943,814)	(4,072,993)	(4,949,693)	640,268	(461,271)	17,250,845
42,425	-	142,465	585,938	-	5,316,706	(9,857,213)
$ -	$(943,814)	$(3,930,528)	$(4,363,755)	$ 640,268	$ 4,855,435	$ 7,393,632

See accompanying auditor's report on consolidating information.

Draffin & Tucker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Member:
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Phoebe Putney Health System, Inc.
Albany, Georgia

We have audited the consolidated financial statements of Phoebe Putney Health System, Inc. and subsidiaries as of and for the years ended July 31, 2013 and 2012 and our report thereon dated November 7, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in this report on pages 74 to 87, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP

Albany, Georgia
November 7, 2013

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SERVICE TO THE COMMUNITY

Phoebe Putney Health System, Inc. (Corporation) is a not-for-profit health care organization that was formed to serve as the parent organization of a group of affiliated entities and, as such, its primary purpose is to plan, coordinate, and direct the group and to provide centralized administrative and management services to the exempt entities in the group. The Corporation is recognized as exempt under section 501(c)(3) of the Code and is classified as a public charity under section 509(a)(3) of the Code. Currently, the affiliated entities comprising the group include: Phoebe Putney Memorial Hospital, Inc. (PPMH), Phoebe Foundation, Inc. (Foundation), Phoebe Putney Health Ventures, Inc. (Health Ventures), Phoebe Physician Group, Inc. (PPG), Phoebe Putney Indemnity, LLC (PPI), Phoebe Sumter Medical Center, Inc. (PSMC) and Phoebe Worth Medical Center, Inc. (PWMC).

As a tax-exempt organization, the Corporation has no stockholders or owners. All revenue after expenses is reinvested in the mission to care for the citizens of the communities served by the Corporation and its affiliated entities and includes clinical care, health programs, state-of-the-art technology and facilities, research, and teaching and training of medical professionals to meet current and future needs.

The Corporation operates as a charitable organization consistent with the requirements of Internal Revenue Code Section 501(c)(3) and the "community benefit standard" of IRS Revenue Ruling 69-545. The Corporation takes seriously its responsibility as the community's safety net hospital and has a strong record of meeting and exceeding the charitable care and the organizational and operational standards required for federal tax-exempt status. The Corporation demonstrates a continued and expanding commitment to meeting its mission by providing community benefits. A community benefit is a planned, managed, organized, and measured approach to meeting identified community health needs, requiring a partnership between the healthcare organization and the community to benefit residents through programs and services that improve health status and quality of life.

Through its affiliated group of hospitals, the Corporation improves the health and well-being of Southwest Georgia through clinical services, education, research, and partnerships that build health capacity in the community. Each hospital provides community benefits for every citizen in its service area as well as for the medically underserved. The hospitals conduct community needs assessments and pay close attention to the needs of low income and other vulnerable persons and the community at large. The Corporation often works with community groups to identify needs, strengthen existing community programs, and plan newly needed services. In addition to providing free and discounted services to people who are uninsured and underinsured, the Corporation provides a wide-ranging array of community benefit services designed to improve community and individual health and to increase access to health care. PPMH's excellence in community benefit programs was recognized by the prestigious Foster McGaw Prize awarded to the hospital in 2003 for its broad-based outreach

in building collaboratives that make measurable improvements in health status, expand access to care, and build community capacity, so that patients receive care closest to their own neighborhoods. Drawing on a dynamic and flexible structure, the community benefit programs are designed to respond to assessed needs and are focused on upstream prevention.

As Southwest Georgia's leading provider of cost-effective, patient-centered health care, the Corporation's affiliated hospitals participate in the Medicare and Medicaid programs and are among the leading providers of Medicaid services in Georgia.

The following table summarizes the amounts of charges foregone (i.e., contractual adjustments) and estimates the losses incurred by the hospitals due to inadequate payments by these programs and for indigent/charity. This table does not include discounts offered by the hospitals under managed care and other agreements:

	Charges Foregone	Estimated Unreimbursed Cost
Medicare	$ 504,000,000	$ 192,000,000
Medicaid	202,000,000	77,000,000
Indigent/charity	85,000,000	32,000,000
	$ 791,000,000	$ 301,000,000

The following is a summary of the community benefit activities and health improvement services offered by the hospitals and illustrates the activities and donations during fiscal year 2013.

I. Community Health Improvement Services

A. Community Health Education

The Corporation's affiliated hospitals provided health education services that reached 38,364 individuals in 2013 at a cost of $796,025. These services included the following free classes and seminars:

- Prepared childbirth classes
- Refresher childbirth classes
- Pregnancy classes
- Breastfeeding classes
- Lactation consulting

See independent auditor's report on supplemental information.

I. Community Health Improvement Services, Continued

A. Community Health Education, Continued

- Baby care basics classes
- Infant massage classes
- Tours of post-partum and labor and delivery
- Special Tots classes
- Maternity coordinator visits
- Big Brother/Big Sister classes
- Safe sitter classes
- Golden Key Health Seminars
- Support Groups

The hospitals are involved in many activities aimed at educating the community about health-related topics. Examples of these activities include a quarterly health information newsletter distributed to 24,000 senior citizens at a cost of $35,777 and frequent ongoing health seminars held at Phoebe Northwest free of charge and attracting audiences ranging from 30 to 150 persons. The hospitals also produce public service television campaigns called "Do It for Life," frequently featuring celebrity personalities. These campaigns urge viewers to adopt healthy lifestyle changes and to participate in screenings for cancer, heart disease, diabetes and other diseases. Videos on heart and stroke prevention and action, as well as videos on cancer treatment care, are available to the general public and to patients and can be accessed on the organization's web site. Many Corporation staff members also lend their time to schools and civic organizations to speak on health issues.

Men and Women's Health Conferences

Children's Health Conferences

PSMC held the 1st Annual Children's Health Conference on August 11, 2012 that provided health screenings for diabetes, cholesterol, blood pressure, hearing and vision, health information, speakers, and fellowship to more than 500 attendees. The health conference programs provide outreach, health screenings, educational programs, and health conferences and events. These programs target children at risk of poor health status. The programs target uninsured or underinsured children without a primary care physician or knowledge of recommended preventive health care services.

See independent auditor's report on supplemental information.

I. Community Health Improvement Services, Continued

A. Community Health Education, Continued

Men and Women's Health Conferences, Continued

Men's Health Conferences

PSMC held the 4th Annual Men's Health Conference on September 15, 2012 that provided health screenings for PSA, cholesterol, blood pressure, hearing and vision, health information, speakers, and fellowship to more than 400 attendees. The health conference programs provide outreach, health screenings, educational programs, and health conferences and events. These programs target men at risk of poor health status. The programs target uninsured or underinsured men without a primary care physician or knowledge of recommended preventive health care services.

Women's Health Conferences

PSMC held the 4th Annual Women's Health Conference on May 18, 2013 that provided health screenings for cholesterol, blood pressure, hearing and vision, health information, speakers, and fellowship to more than 400 attendees. The health conference programs provide outreach, health screenings, educational programs, and health conferences and events. These programs target women at risk of poor health status. The programs target uninsured or underinsured women without a primary care physician or knowledge of recommended preventive health care services.

PPMH Men's and Women's Health Conferences attracted approximately 800 participants. The men's conference centered on hypertension while the women's focus was on breast health. Supported by over 70 volunteers, these conferences provided blood pressure, glucose, and cholesterol and BMI screenings for each participant and was made possible by a broad coalition of providers such as the Faith-based Initiative, Heart and Cancer Society, SWGA Cancer Coalition, and Public Health, among others.

I. Community Health Improvement Services, Continued

A. Community Health Education, Continued

Men and Women's Health Conferences, Continued

Golden Key

This is a membership organization for people age 55 and older. With 23,535 members, Golden Key offers programs that encourage healthy lifestyles, including the privilege of walking at PPMH's Physical Medicine complex. To its members, it provided a bi-monthly newsletter (Key Notes). In 2013, the unreimbursed cost was $103,089.

Network of Trust

This is a nationally recognized program aimed at teen mothers to prevent repeat pregnancies, provide parenting skills, and complete high school. This program also includes a teen father program along with other teenaged children programs. Network of Trust enrolled 195 unduplicated teen parents during the 2012/2013 school year at a cost of $332,775.

B. Community Based Clinical Services

Flu Shots and Health Screenings

The Corporation provides free flu shots to volunteers. In 2013, the Corporation administered 435 flu shots at an unreimbursed cost of $5,223. The Corporation also provides free health screenings to individuals in Southwest Georgia. In 2013, the Corporation administered 706 health screenings at an unreimbursed cost of $1,426.

School Nurse Program

PPMH and PSMC provide nurses in twenty elementary schools, eight middle schools, and seven high schools in Dougherty and Sumter Counties with a goal of creating access to care for students, assessing the health care status of each population represented, and effectively establishing referrals for all health care needs. Nurses also conducted the eighth grade health fairs. During the 2012/2013 school year, the school nurse program covered 69,000 student visits. These programs operated at a loss of $1,420,278 in 2013.

See independent auditor's report on supplemental information.

I. Community Health Improvement Services, Continued

C. Health Care Support Services

New Foundation

The Corporation offers New Foundation Breast Forms and Fashion Boutique. New Foundations caters to the physical and mental well-being of women and their families. They provide one-on-one post mastectomy consultation to help women overcome their anxieties and feel better about themselves. They carry a large variety of prosthesis and also have a wide selection of clothing. They conduct support groups, seminars and exercise classes and help patients with breast cancer issues. This department saw 1,675 patients and operated at an unreimbursed cost in 2013 of $41,539.

Lights of Love Vans

Lights of Love donated vans to the Corporation to transport cancer patients to and from the hospital for their treatments. In 2013, Lights of Love provided transport to 83 patients covering a totaling 918 trips at a cost of $110,539.

Government Sponsored Eligibility Applications to the Poor and Needy

The Corporation contracts with Chamberlain Edmonds to process eligibility applications on behalf of the poor and needy that may be eligible for Medicaid. In some cases, it can take up to two years to be deemed eligible. In 2013 the Corporation paid $1,361,331 to Chamberlain Edmonds to process 1,377 applications for 744 unique patients.

- Indigent Financial Assistance

  Patients whose income is below 125% of the Federal Poverty Levels are classified as indigent and receive care at no cost.

I. Community Health Improvement Services, Continued

C. Health Care Support Services, Continued

Government Sponsored Eligibility Applications to the Poor and Needy, Continued

- Charity Financial Assistance

  Patients whose income level is between 126% - 200% of the Federal Poverty Levels will be classified as charity. These patients will be responsible for a percentage of the Hospital charges. This percentage will be based on calculations using the Federal Poverty Levels that are published in the "Federal Register" each year. If it is determined the patient responsibility will be an undue hardship on the patient/guarantor, these cases will be reviewed on an individual basis with the Phoebe Cares Supervisor for possible catastrophic charity based on sliding scale guidelines.

- Catastrophic Financial Assistance

  Patients whose income exceeds 200% of the Federal Poverty Levels and whose hospital charges exceed 25% of their annual income, resulting in excessive hardship, are eligible for a discount up to 75% of the patient balance. The patient may pay the remaining balance over 24 months.

II. Health Professions Education

The Corporation recognizes that, to continuously improve its long-term value to the community and customers, to encourage life-long learning among employees, and to achieve a world-class employer status, it is in the Corporation's best interest to provide opportunities that will assist eligible employees in pursuing formal, healthcare related educational opportunities. The Corporation also provides non-employees financial support in pursuing healthcare related degrees. In fiscal year 2013, the Corporation provided $879,146 in clinical supervision and training of nursing students, and an additional $353,929 in clinical supervision and training to pharmacy, pharmacy techs and other allied health professionals.

III. Subsidized Health Services

A. Hospital Outpatient Services

Phoebe Family Medical Centers

The Corporation has a strong commitment to primary care for the Southwest Georgia region. The family medical centers in the surrounding counties are a network of care that serves the entire family closest to where people live. In 2013, the rural clinics operated at a net loss of $142,600 and the Pelham clinic operated at a net loss of $89,684.

Convenient Cares

Phoebe's Convenient Care provides treatment for minor injuries and ailments in a more timely fashion and at a more reasonable cost than an emergency center. In 2013, the clinics operated at a net loss of $1,166,497.

Phoebe Specialty Clinics

- Phoebe Gastroenterology Associates has been a part of providing exceptional patient care for more than 30 years and treats virtually every kind of gastrointestinal related healthcare problem. In 2013, the clinic incurred a net loss of $511,638.

- The Behavioral Health Clinic at Phoebe provides treatment for adults and adolescents with addictive diseases and/or psychiatric disorders. In 2013, this clinic operated at a net loss of $469,984.

- The Corporation operates a specialty clinic encompassing Endocrinology, Rheumatology, and Physiatry. The clinic offers medical care on a referral basis to inpatients and outpatients with endocrine or rheumatoid problems or with physical medicine or rehabilitation needs. The clinic operated at a net loss of $369,019 in 2013.

- Maternal/Fetal Medicine program is for high risk mothers and pregnant women who need specialized care. It serves this perinatal region. In 2013, this program operated at a net loss of $1,070,582.

III. Subsidized Health Services, Continued

A. Hospital Outpatient Services, Continued

Phoebe Specialty Clinics, Continued

- The Corporation operates neurosurgery and neurology practices that provide two neurosurgeons and two neurologists to the community, improving access to care in several settings, including trauma care in the Emergency Department and community health forums. This department operated at a net loss of $790,021.

- The Corporation offers an Infectious Disease Clinic. This clinic is primarily directed at providing treatment to those who have chronic and acute infectious diseases and to terminally ill persons in need of pain management. In 2013, this clinic operated at a net loss of $296,089.

- The Corporation operates a special senior's clinic at the Camilla Senior Center, set up for this population to have a comfortable atmosphere in which to access physician care, including a kitchen area and gathering places. The Center operated at a net loss of $17,948 for 2013.

- Lee QuickCare Clinic provides walk-in treatment for common illnesses and conditions after hours, 6 p.m. to 10 p.m. Mondays through Fridays. The staff serves non-urgent patients and can prescribe medications when indicated. The clinic operated at a net loss of $14,876.

- The Corporation operates a Surgical Oncology Department in its Cancer Center. This practice surgically treats and manages cancers primarily of the esophagus, stomach, liver, pancreas, colon, breast and skin, and soft tissues. The surgical oncologist also serves as a distinguished scholar for the Georgia Cancer Coalition and conducts clinical research and is working on elevating the level of cancer care in the region. The department operated at a loss of $207,935.

- The Corporation provides palliative care to patients in Southwest Georgia with a limited life expectancy. In 2013, the service operated at a net loss of 79,764.

III. Subsidized Health Services, Continued

A. Hospital Outpatient Services, Continued

Phoebe –Sumter Specialty Clinics

- Internal Medicine provides primary and consultative medical care of adults, with emphasis on diagnosis, preventive health, and continuity of care in both outpatient and inpatient settings. In 2013, this clinic operated at a net loss of $317,746.

- Sumter OB provides comprehensive perinatal and prenatal care to women living in the Americus region. In 2013, the Phoebe-Sumter OB clinic operated at a net loss of $339,541.

- Phoebe-Sumter Emergency Center, the best equipped in its primary service area, operated at a net loss of $739,469.

Residency Program

The Southwest Georgia Family Medicine Residency Program is an award winning facility continuously addressing the shortage of health care professionals in the region. Their primary mission is to train family physicians to practice in rural Southwest Georgia.

Established in 1993, this program offers a rich opportunity for physicians to develop as strong clinicians capable of delivering high-quality primary care in any setting. The need for medical services in this rural region is great. The region has high incidences of cancer, heart attack, stroke and other diseases, and the need for medical and outreach services are tremendous. The program has successfully diverted persons without access from costly emergency rooms to appropriate primary care settings. In 2013, the program showed a net loss of $277,147.

III. Subsidized Health Services, Continued

B. Other Subsidized Services

Inmate Care

The Corporation provides care to persons in jail for Dougherty County. In 2013, the Corporation provided $770,543 of unreimbursed medical and drug treatment to 245 inmates.

Indigent Drug Pharmacy

Indigent Drug Pharmacy provides medication upon discharge to patients that are either indigent or uninsured. In 2013, the pharmacy assisted 6,974 patients at a cost of $288,868.

IV. Clinical Research

Phoebe offers clinical trials to cancer patients who are residents of Southwest Georgia. In 2013, patient participation in the trials cost $470,922. PPMH is also a regional site for the collection of tissue for the statewide Tumor, Tissue and Serum Biorepository at an additional cost of $258,960.

V. Financial and In-Kind Support

In 2013, the Corporation provided $866,428 in cash donations and in-kind support to non-profit organizations in Southwest Georgia. Listed are some highlights:

- The Southwest Georgia Cancer Coalition received $187,500 for staff support and various projects and partnered with PPMH on a colonoscopy program that provided 457 free colonoscopies to those who could not afford one. This was estimated at a cost of $691,008 of which $521,000 was captured in the clinic loss section.

- Albany Area Primary Health Care received $167,000 to fund its midwifery program.

- The Corporation provided, at a reduced cost, a mammography to Dougherty County Health Department women at an estimated cost of $20,621.

See independent auditor's report on supplemental information.

V. Financial and In-Kind Support, Continued

- Graceway Recovery for Women received a cash donation of $11,000 for its substance abuse program.
- 100 Black Men of Albany, GA received a $10,000 donation for its mentoring program.
- Albany Marathon received a $20,000 donation to raise funds for hospice services.
- In-kind support of foregone rent was provided to seventeen non-profit organizations at an estimated cost of $148,497.
- Albany Advocacy Resource Center received $20,000 to build a training room for children with autism.
- SOWEGA Council on Aging received $11,800 to fund its On Balance program - a falls-prevention activity.
- Phoebe Worth Medical Center gave $45,619 to the Worth County Health Department for heart health and diabetes.

VI. Community Building Activities

A. Economic Development

As a corporate citizen, the Corporation is involved in various economic development activities throughout the year. In 2013, the Corporation contributed $84,126 to various economic development initiatives in the community, highlighted by a $50,000 contribution to Move the Mountain and a $30,000 contribution to Strive to Thrive, both anti-poverty programs.

VII. Community Benefit Obligations

The Corporation incurred $335,335 to support staff and community health needs assessment costs and included a $32,000 renewal of Healthy Communities Institute's dashboard feature on the website:

http://phoebeputney.com/phoebecontentpage.aspx?nd=1660

Summary

	2013
Community Health Improvement Services:	
Community Health Education	$ 796,025
Community Based Clinical Services	1,426,927
Healthcare Support Services	1,513,409
Total community health improvement services	**3,736,361**
Health Professions Education:	
Nurses/nursing students	879,146
Other health professional education	353,929
Total health professions education	**1,233,075**
Subsidized Health Services:	
Hospital outpatient services	6,430,556
Behavioral health services	469,984
Other subsidized health services	1,059,411
Total subsidized health services	**7,959,951**
Clinical Research:	
Clinical research	729,882
Total clinical research	**729,882**

See independent auditor's report on supplemental information.

VII. Community Benefit Obligations, Continued

Summary, Continued

	2013
Financial and In-Kind Support:	
Cash donations	$ 537,349
In-kind donations	329,079
Total financial and in-kind support	**866,428**
Community Building Activities:	
Economic development activities	84,126
Total community building activities	**84,126**
Community Benefit Operations:	
Dedicated staff and other resources	335,335
Total community benefit operations	**335,335**
Other:	
Traditional charity care – estimated unreimbursed cost of charity services	32,000,000
Unpaid cost of Medicare services – estimated unreimbursed cost of Medicare services	192,000,000
Unpaid cost of Medicaid services – estimated unreimbursed cost of Medicaid services	77,000,000
Total other	**301,000,000**
Total summary	**$ 315,945,158**

This report has been prepared in accordance with the community benefit reporting guidelines established by Catholic Health Association (CHA) and Veteran's Health Administration (VHA). The Internal Revenue Services' requirements for reporting community benefits are different than the guidelines under which this report has been prepared.

See independent auditor's report on supplemental information.