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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization
MERCY MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address)Room/suite

701 10TH STREET SE

City or town, state or country, and ZIP + 4
CEDAR RAPIDS, IA 52403

F Name and address of principal officer
PHILIP PETERSON
701 10TH STREET SE
CEDAR RAPIDS,IA 52403

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number ▶ 0928

I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀(insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW.MERCYCARE.ORG

K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1900

M State of legal domicile IA

Part I		Summary		
Activities & Governance	1	Briefly describe the organization's mission or most significant activities TO CARE FOR THE SICK AND ENHANCE THE HEALTH OF THE COMMUNITIES WE SERVE, GUIDED BY THE SPIRIT OF THE SISTERS OF MERCY		
Revenue	2	Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	33
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	32
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,687
	6	Total number of volunteers (estimate if necessary)	6	880
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,335,153
	7b	Net unrelated business taxable income from Form 990-T, line 34	7b	-47,329
Expenses	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	3,118,270	5,715,655
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	267,529,503	283,201,650
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	9,849,536	3,494,689
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	-1,795,271	-1,779,802
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	278,702,038	290,632,192
	14	Benefits paid to or for members (Part IX, column (A), line 4)	3,213,138	4,461,011
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
Net Assets or Fund Balances	16a	Professional fundraising fees (Part IX, column (A), line 11e)	117,488,859	120,192,169
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰	0	0
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	0	0
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	136,863,974	148,487,949
	19	Revenue less expenses Subtract line 18 from line 12	257,565,971	273,141,129
			21,136,067	17,491,063
Signature Block			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	465,167,371	477,555,554
	21	Total liabilities (Part X, line 26)	160,509,805	183,464,391
	22	Net assets or fund balances Subtract line 21 from line 20	304,657,566	294,091,163

Part II

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

PHILIP PETERSON CFO

Type or print name and title

2013-05-20

Date

Paid Preparer's Use Only

Preparer's signature

JOHN J ROMANO

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)
P00227323

Firm's name (or yours if self-employed), address, and ZIP + 4

MCGLADREY LLP
201 N HARRISON STREET SUITE 300
DAVENPORT, IA 528011999

EIN ▶ 42-0714325
Phone no ▶ (563) 888-4000

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Check if Schedule O contains a response to any question in this Part III ☒

- 2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No
If "Yes," describe these new services on Schedule O
- 3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No
If "Yes," describe these changes on Schedule O
- 4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

[illegible]

Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance		
Check if Schedule O contains a response to any question in this Part V ☐		
		YesNo
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a256
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1cYes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return. .	2a2,687
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2bYes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3aYes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3bYes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4aNo
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts	
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5aNo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5bNo
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6aNo
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b
7	Organizations that may receive deductible contributions under section 170(c).	
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7aNo
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7cNo
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7eNo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7fNo
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8
9	Sponsoring organizations maintaining donor advised funds.	
a	Did the organization make any taxable distributions under section 4966?	9a
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b
10	Section 501(c)(7) organizations. Enter	
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b
11	Section 501(c)(12) organizations. Enter	
a	Gross income from members or shareholders.	11a
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b
13	Section 501(c)(29) qualified nonprofit health insurance issuers.	
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b
c	Enter the aggregate amount of reserves on hand.	13c
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14aNo
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	Yes	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

Section B. Policies

(This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	Yes	
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		No

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. KAY CRIST 701 10TH STREET SE CEDAR RAPIDS, IA 52403 (319) 398-6107

Check if Schedule O contains a response to any question in this Part VII

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

[illegible]

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	3,034,994	27,800	501,443

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 42

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4 Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
MERCY PHYSICIAN SERVICES 311 3RD AVENUE SE CEDAR RAPIDS, IA 52403	HEALTHCARE PROFESSIONAL SERVICES	2,368,164
ONCOLOGY ASSOCIATES OF CEDAR RAPIDS 525 10TH STREET SE CEDAR RAPIDS, IA 52403	HEALTHCARE PROFESSIONAL SERVICES	2,257,188
HOSPITALIST MEDICINE PHYSICIANS 4525 DRESSLER RD NW CANTON, OH 44718	HEALTHCARE PROFESSIONAL SERVICES	2,222,949
VITAL SUPPORT SYSTEMS LLC 11191 AURORA AVENUE URBANDALE, IA 50322	HARWARE, SOFTWARE, AND I/S SUPPORT SERVI	1,619,453
PREFERRED MEDICAL DEPOSIT INC 10604 JUSTIN DRIVE DES MOINES, IA 50322	COLLECTION SERVICES	1,539,027
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 30		

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	4,948,021			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	767,634			
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		5,715,655			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUES	900099	228,213,159	228,213,159		
	b	LABORATORY REVENUE	621500	54,208,318	52,873,165	1,335,153	
	c	FITNESS CENTER REVENUE	900099	498,715	498,715		
	d	FAMILY COUNSELING REVE	624100	281,458	281,458		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		283,201,650			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		3,088,171			3,088,171
	4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties					
	6a	Gross rents	(i) Real				
			2,368,453				
			(ii) Personal				
	b	Less rental expenses	1,473,136				
	c	Rental income or (loss)	895,317				
	d	Net rental income or (loss)		895,317			895,317
	7a	Gross amount from sales of assets other than inventory	(i) Securities				
			509,246				
			(ii) Other				
	b	Less cost or other basis and sales expenses	0				
	c	Gain or (loss)	509,246				
	d	Net gain or (loss)		406,518			406,518
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events . . .					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities . . .					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory . . .		-72,642			-72,642
	Miscellaneous Revenue		Business Code				
	11a	MRI MR ASSOCIATES	621110	2,539,559	2,539,559		
	b	MRI JOINT VENTURE	621110	-5,142,036	-5,142,036		
	c						
	d	All other revenue					
	e	Total. Add lines 11a-11d		-2,602,477			
	12	Total revenue. See Instructions		290,632,192	279,264,020	1,335,153	4,317,364

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	4,461,011	4,461,011		
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,794,551		1,794,551	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	90,197,338	71,643,283	18,554,055	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,703,159	5,220,420	1,482,739	
9	Other employee benefits	14,812,957	11,536,331	3,276,626	
10	Payroll taxes	6,684,164	5,205,627	1,478,537	
11	Fees for services (non-employees)				
a	Management	71,106	55,377	15,729	
b	Legal	411,123	320,183	90,940	
c	Accounting	163,415	127,268	36,147	
d	Lobbying	26,687	20,784	5,903	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	36,778	28,643	8,135	
g	Other	10,791,800	8,404,654	2,387,146	
12	Advertising and promotion	2,455,454	1,912,308	543,146	
13	Office expenses	60,841,083	47,383,035	13,458,048	
14	Information technology	7,247,079	5,644,025	1,603,054	
15	Royalties	16,500	12,850	3,650	
16	Occupancy	3,083,547	2,401,466	682,081	
17	Travel	288,366	224,579	63,787	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	34,131	26,581	7,550	
20	Interest	2,472,699	1,925,738	546,961	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	19,705,209	15,346,417	4,358,792	
23	Insurance	813,520	633,569	179,951	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBT EXPENSE	21,486,842	21,486,842		
b	CONTRACTED SERVICES	5,935,675	4,622,704	1,312,971	
c	REPAIRS	5,195,046	4,045,902	1,149,144	
d	EQUIPMENT RENTAL & MAIN	2,862,813	2,229,559	633,254	
e					
f	All other expenses	4,549,076	3,542,822	1,006,254	
25	Total functional expenses. Add lines 1 through 24f	273,141,129	218,461,978	54,679,151	0
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			629,158	1	632,661
	2	Savings and temporary cash investments			28,004,569	2	12,192,434
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			39,341,216	4	43,664,551
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net			2,172,243	7	396,056
	8	Inventories for sale or use			5,255,100	8	5,617,699
	9	Prepaid expenses and deferred charges			2,437,953	9	2,532,370
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	386,419,893			
	b	Less: accumulated depreciation	10b	187,454,409	177,966,402	10c	198,965,484
	11	Investments—publicly traded securities			58,887,930	11	61,991,214
	12	Investments—other securities. See Part IV, line 11			93,390,859	12	95,292,665
	13	Investments—program-related. See Part IV, line 11			56,969,239	13	56,166,487
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			112,702	15	103,933
	16	Total assets. Add lines 1 through 15 (must equal line 34)			465,167,371	16	477,555,554
Liabilities	17	Accounts payable and accrued expenses			30,402,376	17	32,214,753
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			81,800,000	20	79,300,000
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			48,307,429	25	71,949,638
	26	Total liabilities. Add lines 17 through 25			160,509,805	26	183,464,391
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			272,378,106	27	260,620,347
	28	Temporarily restricted net assets			9,394,869	28	9,584,831
	29	Permanently restricted net assets			22,884,591	29	23,885,985
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			304,657,566	33	294,091,163
	34	Total liabilities and net assets/fund balances			465,167,371	34	477,555,554

Part XI

Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI ☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	290,632,192
2	Total expenses (must equal Part IX, column (A), line 25)	2	273,141,129
3	Revenue less expenses Subtract line 2 from line 1	3	17,491,063
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	304,657,566
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-28,057,466
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	294,091,163

Part XII

Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII ☒

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☒ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization MERCY MEDICAL CENTER	Employer identification number 42-0698295
--	--

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**

2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**

11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14					
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15					
16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions						

Part IIIPart III

Support Schedule for Organizations Described in IRC 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered “Yes,” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes,” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization MERCY MEDICAL CENTER	Employer identification number 42-0698295
--	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ Yes ☐ No												

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		26,687
j Total lines 1c through 1i				26,687
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a 2b 2c	
a	Current year		
b	Carryover from last year		
c	Total		
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	22 9% OF MEMBERSHIP DUES TO THE IOWA HOSPITAL ASSOCIATION IS ATTRIBUTABLE TO LOBBYING ACTIVITIES, OR \$26,687

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
Attach to Form 990. See separate instructions.

Name of the organization MERCY MEDICAL CENTER	Employer identification number 42-0698295
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Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	
	Yes No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	Yes No	

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year

4

Number of states where property subject to conservation easement is located

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

Yes

No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

\$

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

Yes

No

9

In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i)

Revenues included in Form 990, Part VIII, line 1

\$

(ii)

Assets included in Form 990, Part X

\$

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a

Revenues included in Form 990, Part VIII, line 1

\$

b

Assets included in Form 990, Part X

\$

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a** ☐ Public exhibition
- d** ☐ Loan or exchange programs
- b** ☐ Scholarly research
- e** ☐ Other
- c** ☐ Preservation for future generations

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ **Yes** ☐ **No**

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ **Yes** ☐ **No**

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ **Yes** ☐ **No**

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance	29,795,537	27,886,845	26,505,127	29,036,036	
b Contributions	1,481,261	151,882	234,657	2,000	
c Investment earnings or losses	402,677	4,618,232	1,633,447	-2,532,909	
d Grants or scholarships					
e Other expenditures for facilities and programs	135,675	2,317,922			
f Administrative expenses	564,000	543,500	486,386		
g End of year balance	30,979,800	29,795,537	27,886,845	26,505,127	

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶ 13 480 %
- b** Permanent endowment ▶ 77 100 %
- c** Term endowment ▶ 9 420 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i)	No
(ii) related organizations	3a(ii) Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b Yes	

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		14,949,322		14,949,322
b Buildings		255,443,320	121,185,012	134,258,308
c Leasehold improvements				
d Equipment		113,170,630	64,245,586	48,925,044
e Other		2,856,621	2,023,811	832,810
Total. Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> ▶				198,965,484

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) MONEY MARKET FUNDS	14,413	F
(B) COMMERCIAL PAPER & CASH	16,058,097	F
(C) MUTUAL FUNDS, INVESTED IN CORP BONDS, LLPS, & REAL ESTATE	79,220,155	F
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)	95,292,665	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) INVESTMENT IN AFFILIATES	52,472,901	F
(2) DEFERRED FINANCING COSTS	523,107	C
(3) INVESTMENT IN CEDAR RAPIDS PHO	709,000	F
(4) SLEEP LAB JOINT VENTURE	1,116,000	F
(5) INVESTMENT IN MR ASSOCIATES	626,602	C
(6) INVESTMENT IN MEDICAL MALL	718,877	F
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)	56,166,487	

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.)	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
INTEREST RATE SWAP AGREEMENTS	15,994,123
PENSION LIABILITY	48,313,765
SELF INSURANCE RESERVES	6,895,706
THIRD PARTY SETTLEMENTS	642,111
NET EQUITY IN MERCY MEDICAL CENTER AUXILIARY	75,375
NET EQUITY IN MERCY MEDICAL CENTER FLOWER SHOP	28,558
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	71,949,638

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740)

Part XI

Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	290,632,192
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	273,141,129
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	17,491,063
4	Net unrealized gains (losses) on investments	4	-3,394,764
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-24,662,702
9	Total adjustments (net) Add lines 4 - 8	9	-28,057,466
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-10,566,403

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	262,043,571
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-3,394,764
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-26,854,372
e	Add lines 2a through 2d	2e	-30,249,136
3	Subtract line 2e from line 1	3	292,292,707
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	-1,660,515
c	Add lines 4a and 4b	4c	-1,660,515
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	290,632,192

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	272,609,974
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	1,968,845
e	Add lines 2a through 2d	2e	1,968,845
3	Subtract line 2e from line 1	3	270,641,129
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	2,500,000
c	Add lines 4a and 4b	4c	2,500,000
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	273,141,129

Part XIV

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	MERCY HOSPITAL, CEDAR RAPIDS, IA ENDOWMENT FOUNDATION, INC , A RELATED ORGANIZATION, HOLDS THE ENDOWMENT FUNDS THE FOUNDATION'S ENDOWMENT FUNDS ARE USED FOR THE CANCER CENTER, NEUROSCIENCES, HOSPICE OF MERCY, HOSPICE HOUSE, PATIENT CARE, TRAUMA CENTER, ESPECIALLY FOR ME, FIT FAMILIES, HALLMAR, HUSTON FUND (RADIOLOGY), EDUCATIONAL SCHOLARSHIPS, LIPSKY EDUCATIONAL FUND, BENEFICIAL INTERESTS IN REMAINDER & PERPETUAL TRUSTS, WATTS LIBRARY, MERCY MEDICAL CENTER CAPITAL PROJECTS, AND GENERAL ENDOWMENT FUNDS TO BE USED AT THE BOARD OF DIRECTORS' DISCRETION
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL IS A NOT-FOR-PROFIT AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND IS EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE THE HOSPITAL FILES A FORM 990 (RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX) ANNUALLY WHEN THIS RETURN IS FILED, IT IS HIGHLY CERTAIN THAT SOME POSITIONS TAKEN WOULD BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, WHILE OTHERS ARE SUBJECT TO UNCERTAINTY ABOUT THE MERITS OF THE TAX POSITION TAKEN OR THE AMOUNT OF THE POSITION THAT WOULD ULTIMATELY BE SUSTAINED EXAMPLES OF TAX POSITIONS COMMON TO HOSPITALS INCLUDE SUCH MATTERS AS THE FOLLOWING THE TAX EXEMPT STATUS OF THE ENTITY, THE CONTINUED TAX EXEMPT STATUS OF BONDS ISSUED BY THE OBLIGATED GROUP, THE NATURE, THE CHARACTERIZATION AND TAXABILITY OF JOINT VENTURE INCOME AND VARIOUS POSITIONS RELATIVE TO POTENTIAL SOURCES OF UNRELATED BUSINESS INCOME (UBIT) UBIT IS REPORTED ON FORM 990T, AS APPROPRIATE THE BENEFIT OF A TAX POSITION IS RECOGNIZED IN THE FINANCIAL STATEMENTS IN THE PERIOD DURING WHICH, BASED ON ALL AVAILABLE EVIDENCE, MANAGEMENT BELIEVES THAT IT IS MORE LIKELY THAN NOT THAT THE POSITION WILL BE SUSTAINED UPON EXAMINATION, INCLUDING THE RESOLUTION OF APPEALS OR LITIGATION PROCESSES, IF ANY TAX POSITIONS ARE NOT OFFSET OR AGGREGATED WITH OTHER POSITIONS TAX POSITIONS THAT MEET THE "MORE LIKELY THAN NOT" RECOGNITION THRESHOLD ARE MEASURED AS THE LARGEST AMOUNT OF TAX BENEFIT THAT IS MORE THAN 50% LIKELY TO BE REALIZED ON SETTLEMENT WITH THE APPLICABLE TAXING AUTHORITY THE PORTION OF THE BENEFITS ASSOCIATED WITH TAX POSITIONS TAKEN THAT EXCEEDS THE AMOUNT MEASURED AS DESCRIBED ABOVE IS REFLECTED AS A LIABILITY FOR UNCERTAIN TAX BENEFITS IN THE ACCOMPANYING BALANCE SHEET ALONG WITH ANY ASSOCIATED INTEREST AND PENALTIES THAT WOULD BE PAYABLE TO THE TAXING AUTHORITIES UPON EXAMINATION AS OF JUNE 30, 2012 AND 2011, THERE WERE NO UNCERTAIN TAX BENEFITS IDENTIFIED AND RECORDED AS A LIABILITY FORMS 990 AND 990T FILED BY THE HOSPITAL ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE (IRS) UP TO THREE YEARS FROM THE EXTENDED DUE DATE OF EACH RETURN
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN ADDITIONAL MINIMUM LIABILITY FOR RETIREMENT BENEFITS -14,999,575 CHANGE IN INTEREST IN NET ASSETS OF FOUNDATION -559,247 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS -8,795,550 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) -256,142 CHANGE IN INTEREST IN NET ASSETS OF AUXILIARY AND GIFT SHOP - 52,188 TOTAL TO SCHEDULE D, PART XI, LINE 8 - 24,662,702
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS -8,795,550 CHANGE IN UNRECOGNIZED FUNDED STATUS OF RETIREMENT PLAN -14,999,575 CHANGE IN INTEREST IN NET ASSETS OF MERCY MEDICAL CENTER FOUNDATION -559,247 GRANT TO MERCYARE SERVICE CORPORATION INCLUDED WITH REVENUES - 2,500,000
PART XII, LINE 4B - OTHER ADJUSTMENTS		CAFETERIA COST OF GOODS SOLD NETTED WITH REVENUES -1,866,117 LOSS ON SALE OF ASSETS - 102,728 AUXILIARY AND GIFT SHOP REVENUE NOT INCLUDED IN AUDIT REPORT 52,188 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) 256,142
PART XIII, LINE 2D - OTHER ADJUSTMENTS		CAFETERIA COST OF GOODS SOLD NETTED WITH REVENUES 1,866,117 LOSS ON SALE OF FIXED ASSETS 102,728
PART XIII, LINE 4B - OTHER ADJUSTMENTS		GRANT TO MERCYCARE SERVICE CORPORATION INCLUDED WITH REVENUES 2,500,000

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____%	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☒ Other 1000.0000000000000%	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			4,252,308	0	4,252,308	1 690 %
b Medicaid (from Worksheet 3, column a)			18,341,458	17,745,663	595,795	0 240 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			22,593,766	17,745,663	4,848,103	1 930 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,023,082	0	1,023,082	0 410 %
f Health professions education (from Worksheet 5)			1,898,178	1,119,571	778,607	0 310 %
g Subsidized health services (from Worksheet 6)			9,186,418	7,246,330	1,940,088	0 770 %
h Research (from Worksheet 7)			0	0		
i Cash and in-kind contributions for community benefit (from Worksheet 8)			296,675	0	296,675	0 120 %
j Total Other Benefits			12,404,353	8,365,901	4,038,452	1 610 %
k Total. Add lines 7d and 7j			34,998,119	26,111,564	8,886,555	3 540 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing			24,814	0	24,814	0 010 %
2Economic development			14,106	0	14,106	0 010 %
3Community support			0	0		
4Environmental improvements			0	0		
5Leadership development and training for community members			3,332	0	3,332	0 %
6Coalition building			211,676	0	211,676	0 080 %
7Community health improvement advocacy				0		
8Workforce development			9,225	0	9,225	0 %
9Other			0	0		
10Total			263,153		263,153	0 100 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense	2	6,680,094
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	106,482,740
6	Enter Medicare allowable costs of care relating to payments on line 5	6	128,644,690
7	Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-22,161,950
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 1 MR ASSOCIATES LLP	PROVIDES MRI SERVICES	33 000 %	0 %	33 000 %
2 2 EASTERN IOWA SLEEP CENTER LLC	PROVIDES SLEEP STUDIES	33 000 %	0 %	33 000 %
3 3 CEDAR RAPIDS PHYSICIAN HOSPITAL ORGANIZATION	PROVIDES PAYOR CONTRACTING	39 000 %	0 %	61 000 %
4 4 PCI REGIONAL MED MALL LLC	PROVIDES MEDICAL SERVICES	10 000 %	0 %	80 000 %
5 5 PCI LENDER LLC	PROVIDES FINANCIAL SERVICES	7 500 %	0 %	85 000 %
6				
7				
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12				
13				

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Name and address

Schedule H (Form 990) 2011

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

MERCY MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>1000 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☒ Medical indigency d ☒ Insurance status e ☒ Uninsured discount f ☒ Medicaid/Medicare g ☒ State regulation h ☐ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☐ Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments or arrests e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☐ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e ☐ Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

Name and address		Type of Facility (Describe)
1		
2		
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Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE FOLLOWING COSTS ARE CALCULATED BASED ON THE COST TO CHARGE RATIO CALCULATED ON WORKSHEET 2 MEDICAID, FREE CLINIC SERVICES, CHARITY CARE, MEDICARE, AND BAD DEBTS

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THE FOLLOWING PROGRAMS AND SERVICES ARE SUBSIDIZED BY MERCY MEDICAL CENTE R TO ADDRESS COMMUNITY HEALTH NEEDS IDENTIFIED THROUGH OUR COMMUNITY ASSESSMENT PROCESS ME RCY'S JOSLIN DIABETIC CENTER ONLY ONE OF EIGHT FACILITIES OF ITS KIND IN IOWA, MERCY'S JO SLIN DIABETES CENTER PROVIDES DIABETES PATIENTS AND THEIR FAMILY MEMBERS WITH THE COMPREHE NSIVE INFORMATION THEY NEED TO BETTER MANAGE THIS DISEASE AND DECREASE THEIR RISK FOR COMP LICATIONS JOSLIN DIABETES CENTER TEAM MEMBERS INCLUDE AN ENDOCRINOLOGIST, NURSE EDUCATORS , DIETITIAN EDUCATORS, A PODIATRIST AND AN EXERCISE SPECIALIST DIABETES EDUCATION AND INS ULIN MANAGEMENT SERVICES ARE PROVIDED FOR CHILDREN (TODDLER THROUGH ADOLESCENTS) AND ADULT S (ALL AGES) MEDICAL DIABETES CARE IS PROVIDED FOR ADOLESCENTS AND ADULTS THE ESTIMATED N UMBER OF PATIENTS WITH DIABETES OR PRE-DIABETES IN THE PSA IS 14,000 JOSLIN PROVIDED CARE TO 4,465 PATIENT VISITS FROM JULY 2010-JUNE 2011, AND SERVED 1,279 DIFFERENT PATIENTS FROM JULY 2010-JUNE 2011 EACH SUMMER JOSLIN DIABETES CENTER PLAYS A KEY ROLE IN A ONE-WEEK DIA BETES CAMP HELD AT CAMP TANAGER IN MOUNT VERNON FOR CHILDREN WITH DIABETES JOSLIN EXPERTS EDUCATE THE CAMP STAFF ABOUT DIABETES, AND PROVIDE NURSING AND DIETARY SUPPORT JOSLIN AL SO DONATES EQUIPMENT AND SUPPLIES USED AT THE CAMP FOR ONE WEEK, CHILDREN WITH DIABETES CA N RELISH THE OPPORTUNITY TO BE WITH THEIR PEERS AND NOT FEEL "DIFFERENT " AS AN ADDED BONU S, PARENTS CAN RELAX AND REST ASSURED THAT THEIR CHILD IS IN A SAFE PLACE, WHERE ANY SPECI AL NEEDS ARE SURE TO BE MET THIS EXPERIENCE ENHANCES THE QUALITY OF LIFE FOR THESE CHILDR EN AND CREATES LONG-LASTING MEMORIES FOR THEM BEHAVIORAL HEALTH SERVICES MERCY SERVES PAT IENTS WHO ARE IN A CRISIS STATE RELATED TO A MENTAL HEALTH, CHEMICAL DEPENDENCY OR CO-OCCU RRING MENTAL HEALTH AND CHEMICAL DEPENDENCY DIAGNOSIS PATIENTS ORIGINATE FROM LINN COUNTY AND THE SECONDARY SERVICE AREA IN FY 2011, MERCY REPORTED 6,025 INPATIENT DAYS OTHER SE RVICES INCLUDE THE ACCESS DEPARTMENT WHICH PROVIDES TRIAGE IN THE EMERGENCY DEPARTMENT, CO NSULTATIONS THROUGHOUT THE HOSPITAL AND PROVIDES A 24 HOUR CRISIS TELEPHONE LINE 2,578 CL IENTS WERE EVALUATED AND REFERRED TO INPATIENT OR OUTPATIENT SERVICES IN ADDITION MERCY H ANDLED 3,165 CRISIS PHONE CALLS AND MADE THE APPROPRIATE OUTPATIENT/COMMUNITY REFERRALS OR ARRANGED TO BRING PATIENTS IN FOR EVALUATION IN THE ED INDIVIDUALS EXPERIENCING MULTIPLE LIFE STRESSORS ARE MOST VULNERABLE AND NEED BEHAVIOR HEALTH ASSISTANCE AND COPING MECHANISMS MANY INDIVIDUALS ARE IMPACTED BY THE EFFECTS OF THE NATIONAL ECONOMIC DOWNTURN, AND BEHAVIOR HEALTH SERVICES CONTINUES TO SERVE A ROLE IN PROVIDING MENTAL HEALTH AND CHEMICAL DEPENDENCY RESOURCES TO A GROWING NUMBER OF PEOPLE WHO REQUIRE SUPPORT WHILE THE MISSION IS TO MEET THE NEEDS OF THE PSA AND SSA PATIENTS, MERCY HAS BEEN INCREASINGLY CALLED UPON T O MEET STATE-WIDE NEEDS AND HAS RECEIVED PATIENTS FROM AS FAR AWAY AS ILLINOIS TRANSPORTA TION IS PROVIDED TO SAFELY SEND PATIENTS BACK TO THEIR HOME LOCATION WITHOUT RECEIVING REI MBURSEMENT FROM THE SENDING COUNTIES IOWA IS SUFFERING A SEVERE SHORTAGE OF MENTAL HEALTH BEDS, AND MENTAL HEALTH AND CHEMICAL DEPENDENCY RESOURCES THERE ARE LONG WAITING LISTS F OR PATIENTS TO BE SEEN BY PSYCHIATRISTS AND MENTAL HEALTH OR CHEMICAL DEPENDENCY PROVIDERS THIS SAME POPULATION IS FREQUENTLY EITHER UNINSURED OR THEIR MENTAL HEALTH BENEFITS ARE SEVERELY LIMITED OR CAPPED AT LOW LEVELS FOR A LIFETIME THE STATE OF IOWA AND LINN COUNTY ARE TARGETING PATIENTS WITH CO-OCCURRING DISORDERS AS A PARTICULARLY DIFFICULT POPULATION TO TREAT AND HAVE HISTORICALLY POOR OUTCOMES AS A PART OF THIS STATE AND COUNTY WIDE INI TIATIVE, THE BEHAVIORAL HEALTH UNIT IS PARTICIPATING IN DATA COLLECTION, STAFF EDUCATION A ND CONSISTENT TREATMENT INITIATIVES THAT HAVE BEEN IDENTIFIED AS EVIDENCED BASE BEST PRACT ICE WHEN PATIENTS CANNOT AFFORD DISCHARGE MEDICATIONS, MERCY PROVIDES AN INITIAL 30 DAY S UPPLY TO PREVENT IMMEDIATE READMISSION DUE TO NONCOMPLIANCE DUE TO FINANCIAL CONSTRAINTS THE STATE OF IOWA IS NOW FACING AN IMMINENT CHANGE IN HOW MENTAL HEALTH RESOURCES ARE BEIN G ADMINISTERED AND FUNDED UNDER NEW REFORM INITIATIVES, RESIDENTIAL BEDS ARE CLOSING, THE RE ARE WAITING LISTS FOR TREATMENT AND MEDICATION APPROVAL AND OUTPATIENT SERVICES ARE BEI NG CUT OR DOWNSIZED ALL OF THESE CHANGES WILL IMPACT LENGTH OF STAY, WHICH IN TURN IMPACT S BED AVAILABILITY AS TURNOVER SLOWS AND, PREDICTABLY, MAKES IT MORE DIFFICULT FOR PATIENT S TO REMAIN STABLE AND AVOID READMISSION THE BEHAVIORAL HEALTH DEPARTMENT IS IMPLEMENTING A PROGRAM IN AN EFFORT TO STABILIZE PATIENTS FOLLOWING DISCHARGE AND REDUCE READMISSIONS THROUGH A PSYCHIATRIC HOME HEALTH NURSE THE PROGRAM WAS LAUNCHED IN APRIL AND HAS WORKED WITH 14 PATIENTS THUS FAR ONLY ONE OF THEM WAS READMITTED DURING HOME CARE FOLLOW-UP TWO MORE WERE READMITTED AFTER THEY HAD COMPLETED HOME CARE IN ADDITION, THE HOME PSYCH NURS E HAS PROVIDED VALUABLE RESOURCES TO THE MEDICAL P

Identifier	ReturnReference	Explanation
		ATIENTS WHO HAVE PSYCHIATRIC ISSUES AND ARE RECEIVING HOME HEALTH CARE BIRTHPLACE AND NEO NATAL INTENSIVE CARE UNIT MERCY'S NICU/BIRTHPLACE HAS A FAMILY-CENTERED CARE APPROACH THA T STARTS BEFORE BIRTH WITH EDUCATIONAL CLASSES AND CONTINUES AFTER A FAMILY LEAVES THE HOS PITAL WITH THEIR BABY A DAY OR TWO AFTER DISCHARGE A MERCY HOME NURSE VISITS THE HOME TH ERE ALSO IS A WEEKLY BREASTFEEDING SUPPORT GROUP AVAILABLE TO NURSING MOTHERS AND NICU STA FF MEMBERS ARE AVAILABLE BY TELEPHONE 24 HOURS DAY MERCY ALSO SUPPORTS A DEVELOPMENTAL CL INIC, WHICH FOLLOWS UP ON MERCY NICU BABIES AT REGULAR INTERVALS UP TO AGE 30 MONTHS THE PURPOSE OF THE OBSTETRIC HOME VISIT PROGRAM IS TO PROVIDE SUPPORT AND EDUCATION TO PARENTS OF NEWBORNS AFTER THEIR DISCHARGE FROM THE HOSPITAL AND BEFORE THEIR FIRST VISIT TO THEIR HEALTHCARE PROVIDER AT APPROXIMATELY TWO WEEKS OF AGE WHEN MOTHER AND NEWBORNS STARTED D ISCHARGING FROM THE HOSPITAL TWO OR THREE DAYS AFTER BIRTH, THERE WERE A NUMBER OF CASES WHERE BABIES AND SOMETIMES MOTHERS DEVELOPED SERIOUS MEDICAL CONDITIONS WHICH WERE NOT IDEN TIFIED UNTIL THEY WERE SERIOUSLY COMPROMISED THE HOME VISIT BY AN RN IS SET UP TO PREVENT SUCH SITUATIONS ALL MOTHERS DISCHARGED FROM BIRTHPLACE ARE OFFERED A HOME VISIT IF THEY LIVE WITHIN A 30 MILE RADIUS OR THEY ARE ENCOURAGED TO RETURN TO THE HOSPITAL FOR AN IN HO SPITAL VISIT IF THEY LIVE BEYOND THAT THIS VISIT IS DONE WITHIN THE FIRST FEW DAYS THEY A RE HOME THE MOTHER AND BABY ARE ASSESSED WITH VITAL SIGNS AND A WEIGHT CHECK ON THE BABY ANY CONCERNS OR ISSUES ARE CALLED TO THE PHYSICIAN AND FOLLOWED UP NUMBER SERVED IN CAL ENDAR YEAR 2010, 781 WERE BABIES BORN AT THE BIRTHPLACE OUTCOMES -WEIGHT LOSS AND FEEDING PROBLEMS ARE IDENTIFIED, CARE PLANS DEVELOPED, AND FOLLOW-UP IS DONE TO ASSURE EFFECTIVEN ESS -JAUNDICE IS IDENTIFIED IN NEWBORNS, LABS DRAWN AND ORDERS RECEIVED TO PREVENT KERNIC TERUS -MATERNAL VITAL CHANGES ARE IDENTIFIED AND PHYSICIANS NOTIFIED WHEN NECESSARY -EDU CATION IS REINFORCED AND DONE TO ASSURE A SAFE ENVIRONMENT FOR THE BABY AND MOM - SAFETY I SSUES ARE IDENTIFIED IN THE ENVIRONMENT AND CORRECTED WHEN NECESSARY -SIGNS AND SYMPTOMS OF POSTPARTUM DEPRESSION ARE IDENTIFIED AND ADDRESSEDPEDIATRICS CHILDREN AGES 17 AND UNDE R EXPERIENCE A CONTINUITY OF CARE TO REDUCE STRESS AND ENHANCE CARE MERCY PROVIDES AGE-AP PROPRIATE VIDEO GAMES, MOVIES AND BOOKS TO HELP CHILDREN RELAX, REST AND RECUPERATE A PED IATRIC CLINICAL NURSE SPECIALIST ASSISTS THE NURSES TO COORDINATE SERVICES FOR PATIENTS AN D THEIR FAMILIES MERCY'S FAST TRACK EMERGENCY DEPARTMENT ALSO OFFERS DISTRACTION KITS, MO VIES, ETC TO EASE CHILDREN'S CONCERNS WHEN THEY NEED CARE IN THE EMERGENCY ROOM

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) \$21,486,842 OF BAD DEBT EXPENSE IS SUBTRACTED FOR PURPOSES OF COMPUTING THE PERCENTAGE IN PART I, LINE 7K, COLUMN F THE ORGANIZATION'S TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF TOTAL EXPENSES, LESS BAD DEBT, IS 13.91%, AND THE PERCENTAGE INCREASES TO 65.03% IF MEDICARE ALLOWABLE COSTS ARE INCLUDED IN TOTAL COMMUNITY BENEFIT EXPENSE

Identifier	ReturnReference	Explanation
		PART II COMMUNITY HEALTH IMPROVEMENT THROUGH COALITION BUILDING/COMMUNITY BOARD PARTICIPATION MERCY MEDICAL CENTER CONTRIBUTED TO THE ECONOMIC AND CIVIC HEALTH OF THE SURROUNDING COMMUNITY BY SERVING ON SEVERAL COMMUNITY AND AREA BOARDS MERCY ALSO SUPPORTED THE EFFORTS OF LOCAL ROTARY AND CHAMBER OF COMMERCE AS WELL AS ORGANIZATIONS ESTABLISHED TO INCREASE AWARENESS ON ECONOMIC GROWTH AND DIVERSITY EXAMPLES INCLUDE -UNITED WAY-CEDAR RAPIDS CHAMBER OF COMMERCE-MARION CHAMBER OF COMMERCE-DAYBREAK ROTARY-WAYPOINT KIDS BOARD-DIVERSITY FOCUS BOARD-FREEDOM FROM HUNGER PLANNING COMMITTEE-JUNIOR ACHIEVEMENT BOARD-KIRKWOOD COLLEGE ADVISORY BOARD-AGING SERVICES BOARD-HEALTHY LINN CARE NETWORK BOARD-AMERICAN CANCER ASSOCIATION BOARD-CATHERINE MCAULEY CENTER BOARD ENCOURAGING OUR YOUTH TEACHING HEALTHY LIFESTYLE HABITS IS PART OF MERCYS COMMITMENT TO PREVENTION AS A PART OF HEALTH CARE IN 2012, MERCY TEAMED UP WITH MCKINLEY AND TAFT MIDDLE SCHOOLS STAFF AND STUDENTS TO EDUCATE STUDENTS ON THE DANGERS OF TOBACCO USE AND THE GIMMICKS BIG TOBACCO CORPORATIONS USE TO LURE KIDS INTO TRYING TOBACCO PRODUCTS THE OPPORTUNITY FOR HIGH SCHOOL STUDENTS TO JOB SHADOW IS COORDINATED THROUGH THE WORKPLACE LEARNING CONNECTION THIS YEAR, STUDENTS EXPERIENCED SEVERAL DIFFERENT JOB SHADOW AREAS WITHIN 23 DEPARTMENTS AT MERCY, INCLUDING A BEHIND-THE-SCENES LOOK AT THE OPERATING ROOM WITH THE OPPORTUNITY TO TALK TO PROFESSIONALS ABOUT THEIR JOBS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 PATIENT RECEIVABLES DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED LESS AMOUNTS COVERED BY THIRD-PARTY PAYORS AND LESS AN ESTIMATED ALLOWANCE FOR DOUBTFUL RECEIVABLES BASED ON A REVIEW OF ALL OUTSTANDING AMOUNTS ON A MONTHLY BASIS MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS, BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS AND BY CONSIDERING THE PATIENT'S FINANCIAL HISTORY, CREDIT HISTORY AND CURRENT ECONOMIC CONDITIONS THE HOSPITAL DOES NOT CHARGE INTEREST ON PATIENT RECEIVABLES PATIENT RECEIVABLES ARE WRITTEN OFF AS BAD DEBT EXPENSE WHEN DEEMED UNCOLLECTIBLE RECOVERIES OF RECEIVABLES PREVIOUSLY WRITTEN OFF ARE RECORDED AS A REDUCTION OF BAD DEBT EXPENSE WHEN RECEIVED

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COSTS SHOWN FOR THE MEDICARE SHORTFALL ARE BASED ON TOTAL CHARGES OF ALL MEDICARE AND MEDICARE REPLACEMENT PATIENTS THE SHORTFALL IS CALCULATED BY MULTIPLYING THE TOTAL CHARGES BY THE COST TO CHARGE RATIO CALCULATED ON WORKSHEET 2, LESS PAYMENTS WE RECEIVED FOR THESE SERVICES THE MEDICARE COST REPORT IS NOT AN APPROPRIATE SOURCE TO DETERMINE THE COSTS FOR THESE PATIENTS MANY ITEMS INCLUDING ALL OUTPATIENT SERVICES FOR PATIENTS WHO ARE COVERED BY A MEDICARE REPLACEMENT PLAN AND MANY SERVICES SUCH AS LABORATORY, PHYSICAL AND OCCUPATIONAL THERAPY, AND OTHERS PAID ON A FEE FOR SERVICE BASIS ARE NOT INCLUDED ON THE MEDICARE COST REPORT IN ADDITION, HOSPICE, HOME HEALTH, AND DIALYSIS SERVICES, ALTHOUGH INCLUDED IN MEDICARE COST REPORT, DO NOT SHOW THE COSTS AND PAYMENTS ASSOCIATED WITH THESE SERVICES FOR MEDICARE BENEFICIARIES FOR MERCY MEDICAL CENTER, 50 6% OF OUR GROSS CHARGES ARE FOR MEDICARE PATIENTS INCLUDING THOSE WITH MEDICARE REPLACEMENTS ANOTHER 7 5% OF OUR CHARGES ARE FOR PATIENTS WHO QUALIFY FOR MEDICAID COVERAGE NEITHER GOVERNMENT PROGRAM PAYS ENOUGH TO COVER THE COSTS OF THE SERVICES PROVIDED TO THESE PATIENTS IF WE DID NOT SERVE THE MEDICARE AND MEDICAID PATIENTS, ANOTHER FACILITY WOULD HAVE TO PROVIDE THE SERVICE OF THE 71,491 MEDICARE PATIENTS WHO WERE DISCHARGED DURING THE 2012 FISCAL YEAR, 14,794, OR 20 7%, HAD MEDICAID COVERAGE THIS DOES NOT REFLECT ANY OF THE PATIENTS WHOSE PRIMARY COVERAGE IS MEDICARE REPLACEMENT POLICY BASED ON THE INFORMATION FROM THE AMERICAN HOSPITAL ASSOCIATION, 46% OF THE MEDICARE SPENDING IS FOR BENEFICIARIES WHOSE INCOME IS BELOW 200% OF THE FEDERAL POVERTY LEVEL

Identifier	ReturnReference	Explanation
		PART III, LINE 9B MERCY MEDICAL CENTER UNDERSTANDS PATIENTS MAY NOT HAVE THE ABILITY TO PAY FOR SERVICES NOR RECOGNIZE THE OPPORTUNITY THEY MAY HAVE TO RECEIVE FINANCIAL ASSISTANCE TO AID IN THIS PROCESS MERCY MEDICAL CENTER HAS IMPLEMENTED A PRESUMPTIVE CHARITY ELIGIBILITY PROGRAM (PCEP) PATIENTS WHO QUALIFY FOR THIS PROGRAM DO NOT HAVE TO COMPLETE PAPERWORK MERCY UTILIZES AN OUTSIDE VENDOR TO ASSIST IN DETERMINING A PATIENT'S FINANCIAL RISK MERCY MEDICAL CENTER USES BILLING AND COLLECTION RECOMMENDATIONS ESTABLISHED BY THE IOWA HOSPITAL ASSOCIATION THESE RECOMMENDATIONS INCLUDE -MERCY MEDICAL CENTER WILL PROVIDE TO ALL PATIENTS THE SAME INFORMATION CONCERNING SERVICES AND CHARGES - FOR A PATIENT WHO HAS AN APPLICATION PENDING FOR EITHER GOVERNMENT-SPONSORED COVERAGE OR MEDICAL CENTER'S FINANCIAL AID PROGRAM, MERCY WILL NOT KNOWINGLY SEND THAT PATIENT'S BILL TO A COLLECTION AGENCY BEFORE THE INITIAL ELIGIBILITY DETERMINATION HAS BEEN MADE -MERCY MEDICAL CENTER WILL REVIEW THE PATIENT'S RECORD TO DETERMINE IF REASONABLE EFFORTS WERE UNDERTAKEN TO ENSURE THAT FINANCIAL ASSISTANCE WAS OFFERED AND/OR IF FINANCIAL ASSISTANCE IS APPROPRIATE BEFORE ANY COLLECTION AGENCY ASSIGNMENT

Identifier	ReturnReference	Explanation
MERCY MEDICAL CENTER		PART V, SECTION B, LINE 19D ALL PATIENTS REGARDLESS OF FINANCIAL SITUATION ARE CHARGED THE SAME GROSS AMOUNT FOR SERVICES PROVIDED FAP-ELIGIBLE INDIVIDUALS COMPLETE A FINANCIAL ASSISTANCE APPLICATION, SUPPLY PERSONAL FINANCIAL INFORMATION (PAYSTUBS, 1040 ETC) AND SUBMIT THE INFORMATION TO OUR BUSINESS OFFICE BASED ON THE INFORMATION SUPPLIED, PATIENTS ARE GIVEN A 25-100% DISCOUNT FROM THEIR BILLED CHARGES

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 IN ORDER TO ENSURE OUTREACH EFFORTS ARE TRULY REFLECTIVE OF CONTINUALLY CHANGING COMMUNITY HEALTH NEEDS, MERCY MEDICAL CENTER WORKED TO DEVELOP A FORMALIZED APPROACH TO CAPTURE THE COMMUNITY'S VOICE IN 2010, MERCY MEDICAL CENTER ESTABLISHED A COMMUNITY BENEFIT COMMITTEE OF THE BOARD COMPRISED OF COMMUNITY MEMBERS FROM LINN COUNTY THIS COMMITTEE WAS FORMED TO PROVIDE INSIGHT INTO ADDRESSING THE HEALTH NEEDS IDENTIFIED IN A HEALTH NEEDS ASSESSMENT AND PROVIDES GUIDANCE, SUPPORT AND RECOMMENDATIONS FOR PROGRAM DEVELOPMENT HEALTHY LINN CARE NETWORK, A BRANCH OF LINN COUNTY PUBLIC HEALTH, COMPLETED A COMMUNITY HEALTH NEEDS ASSESSMENT IN 2011 A MIXED METHODOLOGY APPROACH WAS USED TO PROVIDE A COMPREHENSIVE OVERVIEW OF THE LOCAL SERVICE AREA DATA SOURCES WERE BOTH QUALITATIVE AND QUANTITATIVE AND INCLUDED IOWA DEPARTMENT OF PUBLIC HEALTH, VITAL STATISTICS OF IOWA, MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, IOWA DEPARTMENT OF PUBLIC SAFETY, U S CENSUS, CDC BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, LINN COUNTY PUBLIC HEALTH, ENVIRONMENTAL PROTECTION AGENCY, IOWA DEPARTMENT OF EDUCATION, IOWA DEPARTMENT OF HUMAN SERVICES, PREVENT CHILD ABUSE IOWA AND THE IOWA YOUTH SURVEILLANCE REPORT MERCY PROVIDED REPRESENTATION ON THE COMMUNITY STEERING COMMITTEE MERCY ALSO REVIEWED THE RESULTS OF THE 6 CONTIGUOUS COUNTIES SURROUNDING LINN TO ASSESS THEIR REPORTED HEALTH NEEDS IN ADDITION, MERCY MEDICAL CENTER UNDERSTANDS THE NEED FOR ONGOING ASSESSMENT AND USES DATA AND INFORMATION OBTAINED FROM HOSPITAL CHARITY CARE CASES, COMMUNITY FREE CLINICS, SCHOOLS, UNITED WAY AND COUNTY HEALTH RANKING REPORTS TO MODIFY CURRENT ACTIVITIES AND CREATE NEW PROGRAMS TO ADDRESS HEALTH NEEDS ALL OF THIS INFORMATION WAS UTILIZED TO COMPLETE A COMMUNITY BENEFIT PLAN FOR THE HOSPITAL

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 MERCY MEDICAL CENTER IS COMMITTED TO -PROVIDING ACCESS TO QUALITY HEALTHCARE WITH COMPASSION, DIGNITY AND RESPECT FOR ALL THOSE WE SERVE, PARTICULARLY THE POOR AND UNDERSERVED,- CARING FOR ALL PERSONS, REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES,-ASSISTING PATIENTS WHO CANNOT PAY FOR PART OR ALL OF THE CARE THEY RECEIVE,-COMMUNICATING INFORMATION ABOUT FINANCIAL ASSISTANCE IN A CLEAR AND CONSISTENT MANNERBALANCING NEEDED FINANCIAL ASSISTANCE FOR SOME PATIENTS WITH BROADER FISCAL RESPONSIBILITIES IN ORDER TO SUSTAIN VIABILITY AND PROVIDE THE QUALITY AND QUANTITY OF SERVICES FOR ALL WHO MAY NEED CARE IN THE COMMUNITY MERCY WILL NOTIFY PROSPECTIVE PATIENTS THAT THE HOSPITAL WILL PROVIDE, UPON REQUEST, AN ESTIMATED PRICE OR PRICE RANGE FOR THE CONTEMPLATED SERVICES COMMUNICATE THE AVAILABILITY OF FINANCIAL AID -PUBLICLY DISPLAYING BILLING AND COLLECTION POLICIES MERCY DISPLAYS AND/OR MAKES AVAILABLE OUR BILLING AND COLLECTION POLICIES, INCLUDING DISCOUNT AND CHARITY CARE POLICIES BROCHURES LIST ALL AVAILABLE FINANCIAL RESOURCES -COMMUNICATION WITH PATIENTS - MERCY PROVIDES INFORMATION ON POLICIES WITHIN PATIENT REGISTRATION PACKETS FINANCIAL COUNSELORS ARE AVAILABLE SEVEN DAYS A WEEK, 24 HOURS A DAY, TO COMMUNICATE THESE POLICIES AND ASSIST PATIENTS IN APPLYING FOR PUBLIC AND PRIVATE PROGRAMS FOR WHICH THEY MAY QUALIFY AND THAT MAY ASSIST THEM IN OBTAINING AND PAYING FOR HEALTHCARE SERVICES MERCY MEDICAL CENTER EDUCATES STAFF MEMBERS WHO WORK CLOSELY WITH PATIENTS (INCLUDING THOSE WORKING IN PATIENT REGISTRATION AND ADMITTING, FINANCIAL ASSISTANCE, SOCIAL WORK, BILLING AND COLLECTIONS) ABOUT HOSPITAL BILLING, COLLECTION POLICIES AND PRACTICES, FINANCIAL ASSISTANCE, AND OUR COMMITMENT TO CARE FOR ALL PATIENTS WITH DIGNITY AND RESPECT REGARDLESS OF THEIR INSURANCE STATUS OR ABILITY TO PAY FOR SERVICES EDUCATION IS ALSO PROVIDED REGARDING FEDERAL, STATE AND LOCAL PUBLIC FINANCIAL ASSISTANCE PROGRAMS AND MERCY MEDICAL CENTERS FINANCIAL ASSISTANCE PROGRAM -COMMUNICATIONS TO THE PUBLIC REGARDING FINANCIAL ASSISTANCE ARE WRITTEN IN CONSUMER-FRIENDLY TERMINOLOGY AND IN A LANGUAGE THAT THE PATIENT CAN UNDERSTAND - INFORMATION IS INCLUDED IN HOSPITAL BILLS ABOUT THE AVAILABILITY OF FINANCIAL ASSISTANCE AND HOW TO OBTAIN FURTHER INFORMATION AND APPLY FOR FINANCIAL ASSISTANCE -INFORMATION ON FINANCIAL ASSISTANCE POLICIES IS POSTED IN KEY PUBLIC AREAS WITH INSTRUCTIONS ON HOW TO APPLY OR OBTAIN FURTHER INFORMATION BROCHURES ARE ALSO AVAILABLE -PATIENTS ARE EDUCATED ABOUT THEIR RESPONSIBILITIES, THE POTENTIAL FINANCIAL OBLIGATION THEY MAY INCUR, THEIR OBLIGATIONS FOR COMPLETING ELIGIBILITY DOCUMENTATION, AND THE HOSPITAL'S BILL COLLECTION POLICIES -PATIENTS ARE REFERRED TO AND/OR PROVIDED WITH ASSISTANCE REGARDING APPLYING FOR MEDICAID, IOWA CARE, HEALTHY START, GENERAL ASSISTANCE AND/OR LOCAL COUNTY FUNDS FOR FUTURE CARE NEEDS MERCY ALSO HAS INTERPRETING SERVICES AVAILABLE FOR LIMITED ENGLISH PROFICIENCY OR HEARING IMPAIRED PATIENTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 MERCY MEDICAL CENTER SERVES A PRIMARY SERVICE AREA (PSA) OF LINN COUNTY AND A SECONDARY SERVICE AREA (SSA) OF 7 CONTIGUOUS COUNTIES (BENTON, BUCHANAN, CEDAR, DELAWARE, IOWA, JOHNSON AND JONES) 17 5% OF MERCY'S PATIENTS COME FROM THE SECONDARY SERVICE AREA THE TOTAL POPULATION OF LINN COUNTY IN 2010 IS 211,226 THE TOTAL POPULATION OF BOTH PRIMARY AND SECONDARY SERVICE AREAS IS 462,398 THE PROJECTED 10 YEAR POPULATION GROWTH FOR THE PSA IS 2% AND THE SSA, 1% -12 6% OF PERSONS LIVING IN MERCYS COMBINED SERVICE AREA ARE AGE 65 OR OLDER -81 3% ARE HIGH SCHOOL GRADUATES WHILE 28 3% HOLD A BACHELORS DEGREE OR HIGHER -THE MEDIAN HOUSEHOLD INCOME IS \$62,211 -THE PERCENTAGE OF PEOPLE LIVING BELOW POVERTY LEVEL IS 11 7% AS COMPARED TO 11 8% FOR ALL OF IOWA - THE IOWAN UNINSURED RATE IS 9 3% -THE AVERAGE PERSONS PER HOUSEHOLD ARE 2 43 DEMOGRAPHICS FOR THE COMBINED SERVICE AREA ARE AS FOLLOWS -49 7% MALE, 50 3% FEMALE-91 2% CAUCASIAN-3 3% AFRICAN AMERICAN-0 2% NATIVE AMERICAN-2 4% ASIAN/PACIFIC-2 9% HISPANICTHE CURRENT UNEMPLOYMENT RATE FOR LINN COUNTY IS 5 6% THE SEVEN CONTIGUOUS UNEMPLOYMENT RATES RANGE FROM 4 6-5 6 LINN COUNTY FEATURES A DIVERSE EMPLOYER BASE INCLUDING MANUFACTURING, TRADE, EDUCATION, SERVICE, FINANCE AND AGRICULTURE

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 MERCY MEDICAL CENTER CONTRIBUTED TO THE PROMOTION OF HEALTH OF THE COMMUNITY BY SERVING ON SEVERAL COMMUNITY AND AREA BOARDS EXAMPLES INCLUDE -UNITED WAY-WAYPOINT KIDS BOARD-DIVERSITY FOCUS BOARD-FREEDOM FROM HUNGER PLANNING COMMITTEE-AGING SERVICES BOARD-HEALTHY LINN CARE NETWORK BOARD-AMERICAN CANCER ASSOCIATION BOARD-CATHERINE MCAULEY CENTER BOARD-COMMUNITY HEALTH NEEDS ASSESSMENT STEERING COMMITTEEMERCY STAFF MEMBERS ALSO PARTICIPATE ON THE FOLLOWING COMMITTEES AND COALITIONS -WOMEN'S HEALTH NETWORK-COLORECTAL CANCER COMMITTEE-LINN COUNTY MENTAL HEALTH SERVICES PLANNING COMMITTEE-HEALTHY LIVING COALITION-LINN COUNTY SENIOR COALITION-STI/HIV/AIDS ALLIANCE-LINN COUNTY PARTNERSHIP ON SUBSTANCE ABUSE-COMMUNITY INDIGENT/LOW INCOME SERVICE COMMITTEE-LINN COUNTY FAMILY VIOLENCE COALITION-LINN COUNTY ASTHMA REDUCTION COALITION-MAKE IT SAFE COALITIONMERCY MEDICAL CENTER MAINTAINS AN OPEN MEDICAL STAFF, AS PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS MERCY MEDICAL CENTER'S BOARD OF TRUSTEES IS MADE UP OF VOLUNTEERS, THE MAJORITY OF WHOM ARE RESIDENTS WITHIN THE PSA THE BOARD CONSISTS OF 33 MEMBERS WHO ARE NEITHER EMPLOYEES NOR CONTRACTORS OF THE ORGANIZATION THE GOVERNANCE STRUCTURE ENSURES THAT COMMUNITY INTERESTS ARE REPRESENTED IN DECISION-MAKING FOR THE ORGANIZATION IN ADDITION, SIX SEATS ARE ALLOCATED TO WOMEN RELIGIOUS WHO ENSURE THE ORGANIZATION REMAINS TRUE TO IT CHARITABLE MISSION

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 MERCY HOSPITAL, D/B/A MERCY MEDICAL CENTER (HOSPITAL), IS AN IOWA NOT-FOR-PROFIT CORPORATION THE HOSPITAL PROVIDES SERVICES FROM ITS FACILITY LOCATED IN CEDAR RAPIDS, IOWA THE ACCOMPANYING FINANCIAL STATEMENTS INCLUDE THE HOSPITAL'S INTEREST IN THE NET ASSETS OF THE MERCY HOSPITAL ENDOWMENT FOUNDATION, INC , D/B/A MERCY MEDICAL CENTER FOUNDATION (FOUNDATION) THE FOUNDATION WAS ESTABLISHED TO FOSTER SUPPORT AND ENCOURAGE THE ACTIVITIES AND PURPOSES OF THE HOSPITAL MERCYCARE SERVICE CORPORATION (PARENT), AN IOWA NOT-FOR-PROFIT CORPORATION, IS THE SOLE CORPORATE MEMBER OF THE HOSPITAL ANOTHER RELATED CORPORATION, MERCY CARE MANAGEMENT, INC (MCM), IS ALSO CONTROLLED BY THE PARENT THE FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE PARENT AND MCM ARE NOT INCLUDED IN THE ACCOMPANYING FINANCIAL STATEMENTS

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	IA

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶

27

3

Enter total number of other organizations listed in the line 1 table ▶

3

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ALL CHECKS ARE ISSUED DIRECTLY TO THE ORGANIZATION TO BE USED AT THEIR DISCRETION

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
MERCYCARE SERVICE CORPORATION701 10TH STREET SE CEDAR RAPIDS, IA 52403	42-1199429	501(C)(3)	2,500,000				FOR USE IN CONTINUING OPERATIONS
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION701 10TH STREET SE CEDAR RAPIDS, IA 52403	51-0233180	501(C)(3)	197,435				FOR USE IN CONTINUING OPERATIONS

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ALZHEIMER'S ASSOCIATION OF EAST CENTRAL IOWA317 7TH AVENUE SE STE 402 CEDAR RAPIDS, IA 52401	42-1333384	501(C)(3)	7,500				GENERAL SUPPORT
AMERICAN CANCER SOCIETY4080 1ST AVE NE STE 101 CEDAR RAPIDS, IA 52402	41-0724036	501(C)(3)	39,300				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
AMERICAN DIABETES ASSOCIATION1026 A AVENUE NE CEDAR RAPIDS,IA 52402	13-1623888	501(C)(3)	20,000				GENERAL SUPPORT
DIVERSITY FOCUS 205 SECOND STREET SE CEDAR RAPIDS,IA 52401	20-3420207	501(C)(3)	11,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CEDAR RAPIDS MUSEUM OF ART 410 3RD AVENUE SE CEDAR RAPIDS, IA 52401	42-0680248	501(C)(3)	5,000				GENERAL SUPPORT
ST LUKE'S HEALTHCARE FOUNDATIONPO BOX 3026 CEDAR RAPIDS, IA 52406	42-1106819	501(C)(3)	26,250				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
JUVENILE DIABETES FOUNDATION1026 A AVENUE NE CEDAR RAPIDS,IA 52402	23-1907729	501(C)(3)	10,600				GENERAL SUPPORT
LINN COUNTY MEDICAL SOCIETY 813 1ST AVENUE SE CEDAR RAPIDS,IA 52402	23-7410746	501(C)(6)	5,500				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CEDAR RAPIDS AREA CHAMBER OF COMMERCE424 1ST AVENUE NE CEDAR RAPIDS, IA 52401	42-0172900	501(C)(6)	20,000				GENERAL SUPPORT
CEDAR RAPIDS CITY MARKETPO BOX 667 CEDAR RAPIDS, IA 52406	27-0600567	501(C)(3)	5,000				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ENTREPRENEURIAL DEVELOPMENT CENTER230 2ND STREET SE STE 212 CEDAR RAPIDS, IA 52401	42-1447565	501(C)(6)	20,000				GENERAL SUPPORT
FOUR OAKS FAMILY & CHILDREN SERVICES5400 KIRKWOOD BLVD SW CEDAR RAPIDS, IA 52404	42-0998726	501(C)(3)	10,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HORIZONS - A FAMILY ALLIANCE 819 5TH STREET SE CEDAR RAPIDS,IA 52401	42-1135083	501(C)(3)	5,500				GENERAL SUPPORT
JUNIOR LEAGUE OF CEDAR RAPIDS INC 317 7TH AVENUE SE CEDAR RAPIDS,IA 52401	42-6060212	501(C)(3)	8,000				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
YOUNG PARENTS NETWORK621 4TH AVENUE SE CEDAR RAPIDS, IA 52401	42-1355480	501(C)(3)	750	52,584			GENERAL SUPPORT
CEDAR RAPIDS SYMPHONY ORCHESTRA ASSOCIATION INC 119 3RD AVENUE SE CEDAR RAPIDS, IA 52401	42-0772544	501(C)(3)	5,000				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
IOWA HEALTHCARE COLLABORATIVE100 EAST GRAND STE 360 DES MOINES, IA 50309	20-3869767	501(C)(3)	10,000				GENERAL SUPPORT
CEDAR RAPIDS DOWNTOWN DISTRICT312 2ND AVENUE SE CEDAR RAPIDS, IA 52401	42-1454804	501(C)(3)	5,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
UNITED WAY OF EAST CENTRAL IOWA317 7TH AVENUE SE STE 401 CEDAR RAPIDS,IA 52401	42-0861239	501(C)(3)	5,750				GENERAL SUPPORT
UNIVERSITY OF IOWA FOUNDATION 200 HAWKINS DRIVE IOWA CITY,IA 52242	42-0796760	501(C)(3)	27,400				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
COMMUNITY HEALTH FREE CLINIC947 14TH AVENUE SE CEDAR RAPIDS, IA 52401	13-4228071	501(C)(3)	5,000	85,327	FAIR MARKET VALUE	DONATED STAFF HOURS	GENERAL SUPPORT
GEMS OF HOPE INC621 4TH AVENUE SE CEDAR RAPIDS, IA 52401	20-3155610	501(C)(3)	6,500				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HAWKEYE AREA COMMUNITY ACTION PROGRAM 1515 HAWKEYE DRIVE HIAWATHA, IA 52233	42-0898405	501(C)(3)	5,200				GENERAL SUPPORT
HIS HANDS FREE MEDICAL CLINIC 400 12TH STREET SE CEDAR RAPIDS, IA 52403	39-1878608	501(C)(3)	6,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NATIONAL CZECH & SLOVAK MUSEUM & LIBRARY1400 INSPIRATION PLACE SW CEDAR RAPIDS, IA 52404	51-0189030	501(C)(3)	5,000				GENERAL SUPPORT
WAYPOINT SERVICES FOR WOMEN CHILDREN & FAMILIES318 5TH STREET SE CEDAR RAPIDS, IA 52401	42-0680307	501(C)(3)	11,600				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ZACH JOHNSON FOUNDATIONPO BOX 2336 CEDAR RAPIDS, IA 52406	27-2683100	501(C)(3)	13,200				GENERAL SUPPORT

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☒ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	Yes
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	☒ Compensation committee ☐ Written employment contract ☒ Independent compensation consultant ☒ Compensation survey or study ☐ Form 990 of other organizations ☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) TIMOTHY CHARLES	(i) (ii)	414,924 0	49,888 0	3,592 0	127,746 0	13,328 0	609,478 0	0 0
(2) PHILIP PETERSON	(i) (ii)	263,808 0	59,430 0	2,092 0	38,291 0	23,462 0	387,083 0	0 0
(3) MICHAEL TRACTA	(i) (ii)	223,224 0	24,400 0	527 0	5,850 0	10,859 0	264,860 0	0 0
(4) DR MARK VALLIERE	(i) (ii)	326,588 0	0 0	2,408 0	78,118 0	9,729 0	416,843 0	0 0
(5) JEFFREY CASH	(i) (ii)	201,079 0	36,197 0	824 0	32,252 0	11,344 0	281,696 0	0 0
(6) LAURA REED	(i) (ii)	172,730 0	15,177 0	650 0	9,647 0	12,217 0	210,421 0	0 0
(7) DOUG JONTZ	(i) (ii)	175,752 0	10,935 0	1,940 0	5,787 0	12,016 0	206,430 0	0 0
(8) HUI LI	(i) (ii)	240,856 0	0 0	276 0	25,121 0	21,829 0	288,082 0	0 0
(9) DESMOND WATERS	(i) (ii)	152,347 0	3,047 0	0 0	6,284 0	9,979 0	171,657 0	0 0
(10) CAROLINE GIDDINGS	(i) (ii)	128,380 0	6,595 0	276 0	6,472 0	10,256 0	151,979 0	0 0
(11) SUNDARA MUNAGALA	(i) (ii)	254,533 0	0 0	120 0	1,058 0	9,460 0	265,171 0	0 0
(12) STEVE DRAKE	(i) (ii)	128,823 0	12,973 0	344 0	7,265 0	10,567 0	159,972 0	0 0
(13) A JAMES TINKER	(i) (ii)	0 0	0 0	119,977 27,800	0 0	2,506 0	122,483 27,800	0 0

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
	PART I, LINE 1A	TRAVEL FOR COMPANIONS. LIMITED TRAVEL FOR COMPANIONS IS PAID BY THE ORGANIZATION ON BEHALF OF TOP MANAGEMENT. THIS AMOUNT IS INCLUDED IN REPORTABLE COMPENSATION AS REPORTED ON FORM 990, PART VII AND SCHEDULE J, PART II.
	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN IN 2011: PHILIP PETERSON - \$28,541, BETH HOULAHAN - \$5,384, TIMOTHY CHARLES - \$117,996, MARK VALLIERE - \$68,368, KARL KEELER - \$15,520, AND JEFFREY CASH - \$22,502. THE DOLLAR AMOUNT REPRESENTS THE CURRENT YEAR CONTRIBUTION MADE BY THE ORGANIZATION ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2011.

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I

Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A CITY OF CEDAR RAPIDS IOWA	42-6004336	150543AA4	04-10-2003	30,000,000	REIMBURSE HOSPITAL FOR COSTS OF ACQUIRING AND CONSTRUCTING FACILITIES		X		X		X
B CITY OF CEDAR RAPIDS IOWA	42-6004336	150543AB2	11-17-2005	58,405,000	ADVANCE REFUND OF 1999 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	30,000,000		58,405,000					
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds			56,852,500					
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,288,620		1,552,500					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	28,711,380							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2003		2005					
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

					A		B		C		D	
					Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?					X		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?					X		X				

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?		X		X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X					
b	Name of provider	UBS AG		UBS AG					
c	Term of hedge	29 0000000000000		24 0000000000000					
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☒ Yes ☐ No

Part VI

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
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Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2

Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

\$

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) TIMOTHY CHARLES PERSONAL		X	75,000	32,143		No	Yes		Yes	
Total				32,143						

Part III

Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

Part IV

Business Transactions Involving Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No

Part V

Supplemental Information
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization MERCY MEDICAL CENTER	Employer identification number 42-0698295
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE MEMBER OF MERCY MEDICAL CENTER IS MERCY CARE SERVICE CORPORATION, AN IOWA NONPROFIT CORPORATION THE SOLE MEMBER HAS THE EXCLUSIVE POWER TO APPOINT, AFTER CONSIDERATION OF ANY RECOMMENDATIONS FROM THE CORPORATION'S BOARD OF TRUSTEES, ANY TRUSTEE TO THE CORPORATION'S BOARD AND TO REMOVE ANY TRUSTEE FROM THE CORPORATION'S BOARD AT ANY TIME FOR ANY REASON
	FORM 990, PART VI, SECTION A, LINE 7A	AS THE SOLE MEMBER OF MERCY MEDICAL CENTER, MERCY CARE SERVICE CORPORATION HAS THE EXCLUSIVE POWER TO APPOINT, AFTER CONSIDERATION OF ANY RECOMMENDATIONS FROM THE CORPORATION'S BOARD OF TRUSTEES, ANY TRUSTEE TO THE CORPORATION'S BOARD AND TO REMOVE ANY TRUSTEE FROM THE CORPORATION'S BOARD AT ANY TIME FOR ANY REASON
	FORM 990, PART VI, SECTION A, LINE 7B	AS THE SOLE MEMBER OF MERCY MEDICAL CENTER, MERCY CARE SERVICE CORPORATION HAS THE POWER TO APPROVE THE FOLLOWING ACTIONS 1 AMEND, REPEAL, OR RESTATE THE ARTICLES OF INCORPORATION, 2 ANY MATTER DIRECTLY RELATED TO THE RELIGIOUS PRINCIPLES AND MORAL PHILOSOPHY OF THE SISTERS OF MERCY, 3 ADOPT OR CHANGE THE PHILOSOPHY AND MISSION OF THE CORPORATION, 4 SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE CORPORATION, AND MERGER OR CONSOLIDATION OF THE CORPORATION WITH ANOTHER ENTITY, 5 DISSOLUTION OF THE CORPORATION, 6 ADOPTION OR AMENDMENT TO LONG-TERM STRATEGIC PLANS, 7 ADOPTION OR AMENDMENT TO ANNUAL CAPITAL OR OPERATING BUDGETS, AND 8 APPOINTMENT OR REMOVAL OF THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION
	FORM 990, PART VI, SECTION B, LINE 11	THE 990 IS REVIEWED WITH THE EXECUTIVE COMMITTEE (SUBCOMMITTEE OF THE BOARD OF TRUSTEES) PRIOR TO FILING THE FORM THE COMMITTEE IS PROVIDED WITH GENERAL BACKGROUND INFORMATION REGARDING THE FORM 990, AND THE FORM ITSELF (INCLUDING ATTACHMENTS) IS REVIEWED UPON REQUEST, THE TAX RETURN WILL BE AVAILABLE FOR REVIEW BY THE BOARD OF TRUSTEES MEMBERS OF THE EXECUTIVE COMMITTEE AND MANAGEMENT ARE AVAILABLE TO ANSWER QUESTIONS FROM THE TRUSTEES ON THE RETURN
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REQUIRES ALL DIRECTORS, OFFICERS, AND KEY EMPLOYEES, AS WELL AS EACH EMPLOYEE TO DISCLOSE ANY INTEREST IN, OBLIGATION OR DUTY TO, OR ACTIVITY FOR ANY CONCERN IN WHICH A DIRECTOR, OFFICER, KEY EMPLOYEE, OR EMPLOYEE OR THEIR FAMILY MEMBER MAY BE INVOLVED THAT MIGHT CREATE AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST OR MIGHT HAVE THE APPEARANCE OF ADVERSELY AFFECTING THE DIRECTOR'S, OFFICER'S, KEY EMPLOYEES, OR EMPLOYEE'S JUDGMENT OR ACTIONS IN PERFORMING HIS/HER DUTIES TOWARDS MERCY ALL DIRECTORS, OFFICERS, KEY EMPLOYEES, AND EMPLOYEES SHALL FILE AN INITIAL CONFLICT OF INTEREST REPORT UPON HIRE AND SHALL BE REQUIRED TO FILE AN UPDATED REPORT IMMEDIATELY IF ANY CHANGES OCCUR WHICH RESULT IN A CONFLICT OF INTEREST OR FINANCIAL INTEREST ALL DIRECTORS, OFFICERS, KEY EMPLOYEES, AND EMPLOYEES (SUPERVISOR AND ABOVE), PHYSICIANS, AND ANY EMPLOYEE IN A POSITION TO INFLUENCE A PURCHASE DECISION SHALL RE-SUBMIT A CONFLICT OF INTEREST DISCLOSURE STATEMENT, WITH ANY NECESSARY CHANGES, EACH YEAR AND IMMEDIATELY IF ANY ADDITIONAL CONFLICTING OR FINANCIAL INTEREST ARISE ALL BOARD MEMBERS SHALL SUBMIT IN WRITING A CONFLICT OF INTEREST DISCLOSURE STATEMENT LISTING ALL FINANCIAL AND CONFLICTING INTERESTS THE STATEMENT SHALL BE RESUBMITTED WITH ANY NECESSARY CHANGES EACH YEAR AND AS ANY ADDITIONAL CONFLICTING OR FINANCIAL INTEREST ARISE
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION OF THE ORGANIZATION'S TOP MANAGEMENT IS SET BY THE COMPENSATION COMMITTEE THE COMMITTEE USES MCGLADREY & PULLEN LLP FOR THE REVIEW OF SALARIES AND COMPARES THEM TO COMPARABLE ENTITIES IN THE REGION THIS PROCESS WAS LAST COMPLETED ON APRIL 18, 2012
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE TO THE PUBLIC
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -3,394,764 CHANGE IN ADDITIONAL MINIMUM LIABILITY FOR RETIREMENT BENEFITS -14,999,575 CHANGE IN INTEREST IN NET ASSETS OF FOUNDATION -559,247 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS -8,795,550 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) -256,142 CHANGE IN INTEREST IN NET ASSETS OF AUXILIARY AND GIFT SHOP -52,188 TOTAL TO FORM 990, PART XI, LINE 5 -28,057,466
	FORM 990, PART XI, LINE 2C	MERCY MEDICAL CENTER'S GOVERNING BOARD ENGAGES THE INDEPENDENT ACCOUNTANTS TO PERFORM THE AUDIT IN ADDITION, THE AUDITORS REVIEW THE MANAGEMENT LETTER WITH THE GOVERNING BOARD

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION INC 701 10TH STREET SE CEDAR RAPIDS, IA 52403 51-0233180	FUNDRAISING FOR MERCY MEDICAL CENTER	IA	501(C)(3)	LINE 11B, II	MERCY MEDICAL CENTER	Yes	
(2) MERCYCARE SERVICE CORPORATION 701 10TH STREET SE CEDAR RAPIDS, IA 52403 42-1199429	HEALTHCARE OVERSIGHT	IA	501(C)(3)	LINE 11B, II	N/A		No

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MR ASSOCIATES LLP 1455 SHERMAN ROAD HIAWATHA, IA 52233 42-1260463	MEDICAL IMAGING	IA	MERCY MEDICAL CENTER	RELATED	2,540,144	1,416,844		No		Yes		33 000 %
(2) UNIVERSITY OF IOWA AFFILIATED HEALTH PROVIDERS LC 200 HAWKINS DRIVE IOWA CITY, IA 52242 42-1432272	ACCOUNTABLE CARE ORGANIZATION	IA	N/A									

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) MERCY CARE MANAGEMENT INC PO BOX 786 CEDAR RAPIDS, IA 52406 42-1198970	MEDICAL CLINICS	IA	N/A	C			
(2) MERCY PHYSICIANS ASSOCIATES (SUB OF MERCY CARE MANAGEMENTINC) PO BOX 786 CEDAR RAPIDS, IA 52406 42-1442443	MEDICAL SERVICES	IA	N/A	C			
(3) MERCY PHYSICIAN SERVICES (SUB OF MERCY CARE MANAGEMENTINC) PO BOX 786 CEDAR RAPIDS, IA 52406 42-1442442	SUPPORT SERVICES	IA	N/A	C			

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1

During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

Yes

1b

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

No

1k

No

1l

No

1m

No

1n

No

1o

No

1p

Yes

1q

No

1r

No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation	
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Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	B	197,435	FAIR MARKET VALUE
(2) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	C	3,108,093	FAIR MARKET VALUE
(3) MERCYCARE SERVICE CORPORATION	B	2,500,000	FAIR MARKET VALUE
(4) MERCY CARE MANAGEMENT INC	A	646,000	FAIR MARKET VALUE
(5) MERCYCARE SERVICE CORPORATION	C	1,839,928	FAIR MARKET VALUE
(6) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	P	513,254	FAIR MARKET VALUE
(7) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	I	1	FAIR MARKET VALUE

Additional Data

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
KYLE SKOGMAN CHAIRMAN	1 00	X		X				282	0	0
MARY QUASS VICE CHAIR	1 00	X		X				0	0	0
SISTER SHARI SUTHERLAND SECRETARY	1 00	X		X				0	0	0
EMMETT SCHERRMAN TREASURER	1 00	X		X				0	0	0
TIMOTHY CHARLES PRESIDENT & CEO	40 00	X		X				468,404	0	141,074
LYDIA BROWN MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MICHELE BUSSE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JACK COSGROVE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BARRIE ERNST MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
TONY GOLOBIC MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER LUANN HANNASCH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DON HATTERY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOE HLADKY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JAN KAZIMOUR MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BARB KNAPP MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
LEE LIU MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER TERRY MALTBY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BRUCE MCGRATH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHERYLE MITVALSKY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DARREL MORF MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DAVE NEUHAUS MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
RUE PATEL MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
FRED PILCHER MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MARK POSPISIL MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
TOM REED MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

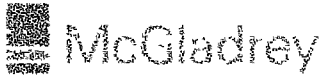
(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SISTER LAURA REICKS MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOHN RIFE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHARLIE ROHDE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
AL RUFFALO MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOHN SMITH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BOB VERHILLE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER MARGARET WEIGEL MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER MAURITA SOUKUP MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
PHILIP PETERSON CFO	40 00			X				325,330	0	61,753
MICHAEL TRACTA COO	40 00				X			248,151	0	16,709
DR MARK VALLIERE CMO	40 00				X			328,996	0	87,847
JEFFREY CASH CIO	40 00				X			238,100	0	43,596
LAURA REED CNO	40 00				X			188,557	0	21,864
DOUG JONTZ VP - HR	40 00				X			188,627	0	17,803
HUI LI RADIATION PHYSICIST	40 00					X		241,132	0	46,950
DESMOND WATERS DIRECTOR, PHARMACY SERVICES	40 00					X		155,394	0	16,263
CAROLINE GIDDINGS GENERAL COUNSEL	40 00					X		135,251	0	16,728
SUNDARA MUNAGALA PSYCHIATRIST	40 00					X		254,653	0	10,518
STEVE DRAKE VP MARKETING	40 00					X		142,140	0	17,832
A JAMES TINKER FORMER CEO	1 00						X	119,977	27,800	2,506

Mercy Medical Center

Financial Report
June 30, 2012

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Independent Auditor's Report

To the Audit Committee
 Mercy Medical Center
 Cedar Rapids, Iowa

We have audited the accompanying balance sheets of Mercy Hospital d/b/a Mercy Medical Center as of June 30, 2012 and 2011, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Medical Center as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Mercy Medical Center changed its method of presentation and disclosure of patient service revenue and the provision for bad debts as a result of the adoption of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*, during the year ended June 30, 2012.

McGladrey LLP

Davenport, Iowa
 September 20, 2012

Mercy Medical Center

Balance Sheets

June 30, 2012 and 2011

(Dollars in Thousands)

Assets	2012	2011
Current Assets		
Cash and cash equivalents	\$ 12,825	\$ 28,634
Investments	3,881	2,090
Patient accounts receivable, net of allowance for uncollectible accounts 2012 \$11,720, 2011 \$11,172 and contractual allowances 2012 \$83,128, 2011 \$70,057	40,671	35,347
Other receivables, net	2,553	3,420
Notes receivable, current portion	23	87
Inventories	5,618	5,255
Prepaid expenses and other	2,532	2,438
Total current assets	68,103	77,271
Assets Limited as to Use		
Board-designated for capital improvements	122,570	122,295
Self-insurance trust funds	19,473	19,532
Under bond indentures, held by trustee	14	11
	142,057	141,838
Property and Equipment		
Land and improvements	17,806	15,459
Buildings	255,443	225,489
Furniture and equipment	105,729	98,081
Construction in progress	7,442	10,826
	386,420	349,855
Less accumulated depreciation	187,454	171,889
	198,966	177,966
Other Assets		
Investments	11,345	8,351
Investments and interest in affiliated entities		
Foundation	52,473	53,033
Others	3,170	3,367
Notes receivable and other	814	2,659
Deferred financing costs, net	523	569
	68,325	67,979
	\$ 477,451	\$ 465,054

See Notes to Financial Statements

Liabilities and Net Assets	2012	2011
Current Liabilities		
Current maturities of long-term debt	\$ 2,590	\$ 2,500
Accounts payable	19,442	14,632
Accrued payroll obligations	9,527	11,630
Other accrued expenses	3,245	4,139
Estimated settlement due to third-party payors	642	1,017
Total current liabilities	35,446	33,918
 Long-Term Liabilities		
Long-term debt, less current portion	76,710	79,300
Self-insurance reserves	6,896	6,588
Liability for retirement benefits	48,314	33,391
Interest rate swap agreements	15,994	7,199
Total long-term liabilities	147,914	126,478
Total liabilities	183,360	160,396
 Commitments and Contingencies (Notes 8 and 11)		
 Net Assets		
Unrestricted - Hospital	241,618	251,625
Unrestricted - Foundation	19,003	20,753
Total unrestricted	260,621	272,378
Temporarily restricted - Foundation	9,584	9,395
Permanently restricted - Foundation	23,886	22,885
	294,091	304,658
	\$ 477,451	\$ 465,054

Mercy Medical Center

Statements of Operations and Changes in Net Assets Years Ended June 30, 2012 and 2011 (Dollars in Thousands)

	2012	2011
Revenue		
Patient service revenue, net of contractual adjustments	\$ 274,825	\$ 259,739
Less provision for bad debts	21,486	19,375
Net patient service revenue	253,339	240,364
Other	10,943	9,008
	264,282	249,372
Expenses		
Salaries	93,937	89,956
Supplies and other	98,997	88,287
Payroll taxes and employee benefits	28,339	29,688
Depreciation and amortization	21,746	20,677
Professional fees	2,147	1,946
Utilities	3,382	3,710
Loss on disposition of property and equipment	103	61
Interest	2,473	2,983
	251,124	237,308
Income from operations	13,158	12,064
Nonoperating revenue (expenses), net		
Investment income	2,959	9,324
Change in fair value of interest rate swap agreements	(8,795)	2,273
Grant income, flood recovery	885	-
Other, primarily rental income	894	454
	(4,057)	12,051
Excess of revenue over expenses	9,101	24,115
Change in unrealized gains and losses on investments	(3,395)	13,231
Change in unrecognized funded status of retirement plan	(15,000)	7,826
Change in interest in net assets of Foundation	(1,750)	3,814
Net transfers (to) affiliated organizations	(713)	(1,352)
Increase (decrease) in unrestricted net assets	(11,757)	47,634
Change in temporarily restricted net assets, increase in interest in net assets of Foundation	189	2,305
Change in permanently restricted net assets, increase in interest in net assets of Foundation	1,001	511
Increase (decrease) in net assets	(10,567)	50,450
Net assets		
Beginning	304,658	254,208
Ending	\$ 294,091	\$ 304,658

See Notes to Financial Statements

Mercy Medical Center

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (10,567)	\$ 50,450
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	21,700	20,629
Amortization	46	48
Forgiveness of physician and employee advances	501	427
Change in unrealized (gains) losses on investments	3,395	(13,231)
Change in interest in net assets of Foundation	560	(6,630)
Earnings less than distributions from affiliated organizations	197	37
Change in fair value of interest rate swap agreements	8,795	(2,273)
Realized (gains) on investments	(509)	(6,417)
Loss on disposal of property and equipment	103	61
Change in funded status of retirement plan	14,923	(7,139)
Transfers to affiliated organizations	713	1,352
(Increase) in		
Patient and other receivables	(4,479)	(2,982)
Inventories and prepaid expenses	(457)	(978)
Increase (decrease) in		
Accounts payable, accrued expenses and self-insurance reserves	2,059	4,558
Due to third-party payors	(375)	(86)
Net cash provided by operating activities	36,605	37,826
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	16	1,234
Purchase of property and equipment	(42,757)	(28,564)
Purchase of investments and assets limited as to use	(14,867)	(56,130)
Proceeds from sale of investments and assets limited as to use	6,977	44,479
Advances on notes receivable and other	(807)	(441)
Collections on notes receivable	2,237	299
Net cash (used in) investing activities	(49,201)	(39,123)
Cash Flows from Financing Activities		
Payments on long-term debt	(2,500)	(2,405)
Transfers (to) affiliated organizations	(713)	(1,352)
Net cash (used in) financing activities	\$ (3,213)	\$ (3,757)

(Continued)

Mercy Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2012 and 2011
(Dollars in Thousands)

	2012	2011
Net (decrease) in cash and cash equivalents	\$ (15,809)	\$ (5,054)
Cash and cash equivalents		
Beginning	28,634	33,688
Ending	\$ 12,825	\$ 28,634
Supplemental Disclosure of Cash Flow Information, cash payments for interest, including capitalized interest 2012 \$464, 2011 \$41	\$ 2,903	\$ 2,973
Supplemental Disclosure of Noncash Investing and Financing Activities, increase in accounts payable related to construction in progress	62	1,636

See Notes to Financial Statements

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization:

Mercy Hospital, d/b/a Mercy Medical Center (Hospital), is an Iowa not-for-profit corporation. The Hospital provides services from its facility located in Cedar Rapids, Iowa. The accompanying financial statements include the Hospital's interest in the net assets of the Mercy Hospital Endowment Foundation, Inc., d/b/a Mercy Medical Center Foundation (Foundation). The Foundation was established to foster support and encourage the activities and purposes of the Hospital.

Mercycare Service Corporation (Parent), an Iowa not-for-profit corporation, is the sole corporate member of the Hospital. Another related corporation, Mercy Care Management, Inc. (MCM), is also controlled by the Parent. The financial position and results of operations of the Parent and MCM are not included in the accompanying financial statements.

Significant accounting policies:

Accounting estimates The preparation of 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. Estimates that are particularly susceptible to significant changes in the near term and which require significant judgments by management include the allowance for uncollectible accounts, allowance for contractual adjustments, estimated third-party payor settlements, pension plan assumptions, fair value of investments and self-insurance reserves.

Cash and cash equivalents Cash and cash equivalents include investments in highly liquid marketable securities with a maturity of three months or less. Certain temporary cash investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables and net patient service revenue Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. The Hospital does not charge interest on patient receivables. Patient receivables are written off as provision for bad debt when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the provision for bad debt when received.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as third-party payor receivables or payables.

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 with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of the provision for bad debts.

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital 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 Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible 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 Hospital 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.

The Hospital's allowance for doubtful accounts for self-pay patients increased from approximately 60% of self-pay accounts receivable at June 30, 2011, to approximately 61% of self-pay accounts receivable at June 30, 2012. In addition, the Hospital's self-pay write-offs increased approximately \$2,400,000 from \$23,700,000 to \$26,100,000 for the years ended June 30, 2011 and 2012, respectively. Both increases were the result of negative trends experienced in the collection of amounts from self-pay patients for the year ended June 30, 2012. The Hospital has not changed its charity care or uninsured discount policies during the year ended June 30, 2012. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, due to insignificant write-offs from third-party payors.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital 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 Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Patient service revenue at established rates less third-party payor contractual adjustments (but before the provision for bad debts), recognized in the year ended June 30, 2012, was approximately (dollars in thousands)

Third-party payors	\$ 248,337
Self pay	26,488
	<u>\$ 274,825</u>

Notes receivable and other assets The notes receivable consist primarily of a note receivable bearing interest at 4.0% due in monthly installments of approximately \$2,018 with final installment due March 2014. The note receivable arose from the ordinary course of business, and is due from an unrelated third-party. Other noncurrent assets also include approximately \$425,800 and \$618,700 as of June 30, 2012 and 2011, respectively, of physician and employee advances that may be forgiven over a period of one to five years.

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Inventories Inventories, which consist primarily of medical and pharmaceutical supplies, are stated at the lower of cost or market. The inventories are reported on the first-in, first-out basis.

Assets limited as to use Assets limited as to use include investments set aside by the Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held for self-insurance trust funds and assets held by trustee under indenture agreements.

Investments Investments in equity securities with readily determinable fair values, all investments in debt securities and alternative investments, which primarily include limited partnerships, are measured at fair value in the balance sheets. The Hospital reports the fair value of alternative investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Hospital based on various factors. Investment income or loss, including realized gains and losses on investments, other-than-temporary impairment losses, interest and dividends, is included in excess of revenue over expenses. Change in unrealized gains and losses on investments, which is considered temporary, is excluded from excess of revenue over expenses but is included as a change in net assets.

Investment income, except for income earned on bond-related, trustee-held investments and self-insurance investments which are included in other operating revenue, is reported as nonoperating revenue. Investment income included as other operating revenue was \$637,000 and \$762,000 for the years ended June 30, 2012 and 2011, respectively.

Investments and interest in affiliated entities Investments and interest in affiliated entities represent the Hospital's interest in the net assets of the Foundation, its 39% interest in Cedar Rapids PHO (CRPHO), its one-third interest in Eastern Iowa Sleep Center, LLC, its one-third interest in Magnetic Resonance Associates, LLP (MR Associates), its 10% interest in PCI Regional Medical Mall, LLC and its 7.5% interest in PCI Lender, LLC. The investment in CRPHO, Eastern Iowa Sleep Center, LLC and MR Associates, are recorded on the equity method with changes in the Hospital's interest in these entities recorded as other operating revenue in the statements of operations. The investment in PCI Regional Medical Mall, LLC and PCI Lender, LLC are recorded on the cost method.

Based on terms of the operating agreement, the Hospital has agreed to guarantee 10% of PCI Regional Medical Mall, LLC's debt, provided that the Hospital's guarantee amount shall not exceed \$3,200,000.

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 using the straight-line method. Interest cost incurred during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets. Capitalized interest was approximately \$464,000 and \$41,000 for the years ended June 30, 2012 and 2011, respectively.

Deferred financing costs Deferred financing costs are being amortized over the term of the related debt using the interest method.

Derivative financial instruments The Hospital's derivative financial instruments consist of interest rate swap agreements which are carried at fair value. The Hospital has elected not to use hedge accounting.

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Temporarily and permanently restricted net assets The Hospital is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes are based on the presence or absence of donor-imposed restrictions. The Hospital's restricted net assets consist of interest in net assets of the Foundation that are restricted by donor intent. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Also see Note 14 for additional information on restricted net assets.

Excess of revenue over expenses The statements of operations and changes in net assets include excess of revenue over expenses. Excess of revenue over expenses, consistent with industry practice, excludes unrealized gains and losses on investments which are considered temporary, permanent transfers of assets to and from affiliates for other than goods and services and for capital acquisitions, contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets, and change in unrecognized funded status of retirement plan.

Fair value of financial instruments Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, notes receivable, accounts payable, accrued liabilities, estimated third-party payor settlements and other current liabilities. The fair value of the liability for retirement benefits approximates carrying value as the Plan's assets are recorded at fair value and the projected benefit obligation is discounted to present value. A portion of the Hospital's investments and assets limited as to use are carried at fair value on the balance sheets based on quoted market prices. The alternative investments primarily include limited partnerships. The carrying amount for limited partnerships are recorded at net asset value (NAV) as the practical expedient for fair value, which is based primarily on historical investment returns and nonfinancial data of the underlying investees. The interest rate swap agreements are also carried at fair value on the balance sheets based on quotations from the counterparty to the swap agreements. Based on borrowing rates currently available to the Hospital with similar terms and maturities, the fair value of the long-term debt approximates \$79,300,000 and \$76,088,000 as of June 30, 2012 and 2011, respectively.

Fair value measurements The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements, which applies to all assets and liabilities that are measured and reported on a fair value basis. See Note 5 for additional information.

Charity care The Hospital 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 Hospital does not pursue collection of these amounts, they are not reported as revenue.

Grant income, flood recovery The Hospital was the recipient of a grant of approximately \$885,000 which was restricted to be used for flood recovery and reconstruction. The grant proceeds were received during the year ended June 30, 2012 and were for the reimbursement of dollars previously expended for flood recovery and reconstruction.

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Electronic health records incentive program The electronic health records incentive program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under both the Medicare and Medicaid program are generally made for up to four years based on a statutory formula. The Medicaid programs are determined on a state by state basis, which are approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive reporting periods. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program. As of June 30, 2012, the Hospital is in the process of meeting the meaningful use objectives and has not recognized any revenue related to this program.

Income taxes The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Hospital files a Form 990 (Return of Organization Exempt from Income Tax) annually. When this return is filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to hospitals include such matters as the following: the tax exempt status of the entity, the continued tax exempt status of bonds issued by the obligated group, the nature, the characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business income (UBI). UBI is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2012 and 2011, there were no uncertain tax benefits identified and recorded as a liability.

Subsequent events The Hospital has evaluated subsequent events through September 20, 2012, the date on which the financial statements were issued.

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

New and pending accounting guidance In 2012, the Hospital adopted Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*. This ASU amended ASC Subtopic 954-605, Revenue Recognition, and requires the Hospital to use cost as the measurement basis for charity care disclosure requirements. The adoption of this ASU resulted in minimal changes to the charity care disclosures as the Hospital has historically disclosed an estimated cost of providing charity care, and it had no effect on the Hospital's balance sheet or statement of operations and changes in net assets.

In 2012, the Hospital adopted ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU clarifies that health care entities should not net insurance recoveries against a related professional liability claim or another similar liability, which is consistent with the guidance in Subtopic 210-20, Balance Sheet—Offsetting. The adoption of this ASU did not have a material impact on the Hospital's financial statements, although, it did result in an increase in insurance recoverables and an increase in liabilities for insurance programs of approximately \$370,000 with no effect on the Hospital's change in net assets.

In 2012, the Hospital adopted ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. This ASU requires the Hospital to present the provisions for bad debts associated with patient service revenue as a deduction from patient service revenue. The adoption of this ASU changed where the provision for bad debts was presented within the statement of operations and changes in net assets, however, it did not affect operating income or the change in unrestricted net assets. All periods presented in these financial statements and notes to the financial statement have been reclassified in accordance with the guidance.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU was issued to clarify FASB's intent on application of certain aspects of existing fair value measurement requirements and to change certain requirements for measuring fair value and for disclosing information about fair value measurements. These changes (mostly applicable to financial instruments in levels 2 and 3) include guidance on measuring the fair value of financial instruments that are managed within a portfolio, application of premiums and discounts, and additional disclosures about fair value measurements. FASB has concluded that this ASU will achieve the objective of developing common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. This ASU is effective for the Hospital for annual reporting periods beginning after December 15, 2011. Management is in the process of evaluating the potential impact this standard will have on its financial statements.

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Management is evaluating the impact this ASU may have on the Hospital's financial statements.

Mercy Medical Center

Notes to Financial Statements

Note 2. Net Patient Service Revenue

The Hospital derives patient revenue primarily from patients covered under the Medicare and Medicaid programs, agreements with commercial insurers and managed care organizations, as well as from private pay patients. The basis for payment under agreements with commercial insurers and managed care organizations includes prospectively determined rates, discounts from established charges and allowable costs.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Approximately 94% of the Hospital's revenue from patient services in 2012 and 2011 is derived from the Medicare, Medicaid, Blue Cross and CRPHO programs. A summary of the payment arrangements with major third-party payors follows:

Medicare The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid at prospectively determined rates based on an Ambulatory Patient Classification (APC) System. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2007.

Medicaid Inpatient acute care services rendered under the Medicaid program are paid at prospectively determined rates-per-discharge. 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 based on a combination of prospectively set payments based on Medicare and Medicaid determined fee schedules or a cost-based payment methodology based on Ambulatory Patient Groups (APG). APG rates are based on a blend of hospital-specific and statewide average costs reported by each hospital for costs associated with routine and ancillary care per Medicaid outpatient visit. The Hospital's Medicaid cost reports have been finalized by the fiscal intermediary through June 30, 2007.

Other agreements The Hospital has also entered into payment agreements with certain preferred provider organizations, health maintenance organizations and local employers. The basis for payment to the Hospital under these agreements includes discounts from established charges, prospectively determined per diem rates and prospectively determined rates per discharge.

A summary of net patient service revenue for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
	(Dollars in Thousands)	
Gross patient service revenue	\$ 801,950	\$ 736,553
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	527,125	476,814
Net patient service revenue, net of contractual allowances	274,825	259,739
Less provision for bad debts	21,486	19,375
Net patient service revenue	<u>\$ 253,339</u>	<u>\$ 240,364</u>

Mercy Medical Center

Notes to Financial Statements

Note 2. Net Patient Service Revenue (Continued)

Contractual adjustment expense for the years ended June 30, 2012 and 2011 includes the effect of a change in the amount of the estimated contractual adjustments under third-party reimbursement programs and retroactive adjustments based on final settlements of cost reports. The effect of these changes in estimate are a decrease in contractual adjustment expense of approximately \$760,000 and \$100,000 for the years ended June 30, 2012 and 2011, respectively. The effect of these changes in estimate exclude the amounts recognized in the years ended June 30, 2012 and 2011 for additional reimbursement received for the lowest quartile of per enrollee Medicare spending program and the CMS settlement related to the budget neutrality adjustment.

In 2011, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Iowa's Hospital Provider Tax Program. Under the Program, which is retroactive to July 1, 2010, a hospital is required to pay a quarterly provider tax assessment. The tax assessments collected by the State are used to fund a health care access improvement fund and are used to obtain federal matching funds, all of which must be distributed to Iowa hospitals to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Plan increases inpatient DRG reimbursement rates and also implements several supplemental inpatient and outpatient methodologies. The Hospital's additional reimbursement has been recorded in the accompanying financial statements as a reduction of contractual adjustment expense. Total assessments incurred by the Hospital related to this Program amounted to approximately \$1,912,000 for each of the years ended June 30, 2012 and 2011, which is included in other operating expenses.

The Patient Protection and Affordable Care Act (PPACA) provided an additional \$400 million for hospitals which reside in counties which rank in the lowest quartile of per enrollee Medicare spending. The Hospital was a qualifying hospital and recognized revenue of approximately \$1,127,000 and \$435,000 for the years ended June 30, 2012 and 2011, respectively, related to this program, which is included as a reduction of contractual adjustment expense. No additional payments are expected under the provision of the PPACA.

In June 2012, the Hospital received a settlement from the Centers for Medicare and Medicaid Services of approximately \$1,680,000, which is included as a reduction of contractual adjustment expense. This settlement was the result of a national lawsuit claiming that CMS has applied a negative budget neutrality adjustment to the Medicare inpatient prospective payment system each year since 1998 to account for the increase in payments related to the Medicare wage index rural floor. The rural floor provides that no Metropolitan Statistical Area's wage index can be lower than the state-wide rural wage index.

The Hospital and University of Iowa Hospitals and Clinics (UIHC) collaborated to create an Accountable Care Organization (ACO). In July 2012, this collaboration was selected to participate in the Medicare Shared Savings Program Accountable Care Organization, which is a new multifaceted program sponsored by CMS. Through the Shared Savings Program, the Hospital and UIHC will work with CMS to provide Medicare fee-for-service beneficiaries with high-quality service and care, while reducing the growth in Medicare expenditures through enhanced care coordination.

Note 3. Charity, Indigent Care and Community Service

The Hospital provides medical health care, including 24 hours a day, seven days a week Trauma Center service, to all patients accessing the system, regardless of race, creed, sex, national origin, handicap, age or ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no or nominal payment is anticipated. Additionally, each Hospital department accepts all patients who are covered by governmental indigent programs. Such indigent programs typically remit amounts substantially less than charges.

Mercy Medical Center

Notes to Financial Statements

Note 3. Charity, Indigent Care and Community Service (Continued)

Cost of charity care is calculated by applying hospital specific cost to charge ratios to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to remove the cost of non-patient care activity, Medicaid provider taxes paid, identifiable community benefit expenses, as well as gross patient charges that are generated for identifiable community benefit services.

The following summarizes the Hospital's charity care, indigent care (i.e., Medicaid) and provision for bad debts, a substantial portion of which relates to patient receivables that may have qualified for charity care under the Hospital's policies:

	2012	2011
	(Dollars in Thousands)	
Charity care provided at established charges	\$ 15,812	\$ 17,403
Provision for bad debts	\$ 21,486	\$ 19,375
Estimated costs and expenses in providing these services	\$ 10,897	\$ 11,080
Medicaid revenue at established charges	\$ 61,253	\$ 50,153
Expected Medicaid payments	17,746	11,612
Government shortfall relating to Medicaid programs	\$ 43,507	\$ 38,541
Estimated costs and expenses in providing Medicaid services	\$ 17,895	\$ 15,110

In addition, charity care and community service are provided through many reduced price services and free programs offered throughout the year. These programs provide a bona fide community health need, including (unaudited):

- A health news publication, The Mercy Touch, distributed to approximately 77,300 and 66,000 households in 2012 and 2011 at the total cost of over \$59,000 and \$54,000 for the years ended June 30, 2012 and 2011, respectively.
- Two jointly sponsored medical educational programs in conjunction with St. Luke's Hospital which provided for the education of 28 and 20 Family Practice Residents for the years ended June 30, 2012 and 2011, respectively, and 17 and 28 Radiological Technology students for each of the years ended June 30, 2012 and 2011, respectively. The expense incurred by the Hospital was \$1,594,000 and \$1,665,000 for the years ended June 30, 2012 and 2011, respectively.
- Public and professional educational seminars which are offered on topics including chronic back and neck pain, prenatal education, breast feeding, diabetes, eating disorders, osteoporosis, crohns/colitis, cardiovascular disease and wellness. Specialized cancer seminars for social workers, dental hygienists, nurses, dentists and physicians are also frequently offered.
- Hospital meeting facilities which are frequently used without charge by such groups as the American Heart Association, Iowa Breast Cancer Foundation, Healthy Linn Network Advisory Committee, Overeaters Anonymous, Catholic Laymen, United Way, Catherine McAuley Center for Women, the American Cancer Society, M.S. Support Group, and ARC of East Central Iowa.
- Contributions of 115,300 and 109,300 hours toward the common purpose of serving the health care of the community for the years ended June 30, 2012 and 2011, respectively. The value of these contributions was approximately \$1,320,000 and \$1,221,000 for the years ended June 30, 2012 and 2011, respectively, and was given back to the community through lower costs.

Mercy Medical Center

Notes to Financial Statements

Note 4. Assets Limited as to Use and Investments

Assets limited as to use as of June 30, 2012 and 2011 consist of the following

	2012	2011
	(Dollars in Thousands)	
Board-designated for capital improvements		
Commercial paper and cash	\$ 330	\$ 1,356
Mutual funds primarily invested in		
Equities	53,004	60,037
Fixed income	45,974	37,670
Limited partnerships	23,262	23,232
	<u>122,570</u>	<u>122,295</u>
Self-insurance trust fund		
Commercial paper and cash	502	503
Mutual funds primarily invested in		
Equities	8,987	9,820
Fixed income	8,030	7,092
Balanced fund	1,954	2,117
	<u>19,473</u>	<u>19,532</u>
Under bond indentures, held by trustee, money market funds	14	11
Total assets limited as to use	<u><u>\$ 142,057</u></u>	<u><u>\$ 141,838</u></u>

Investments, including those classified as current and noncurrent on the accompanying balance sheets, as of June 30, 2012 and 2011 consist of the following

	2012	2011
	(Dollars in Thousands)	
Cash and cash equivalents	\$ 2,378	\$ 379
Fixed income		
U S government securities	7,998	5,548
Corporate bonds	4,307	3,745
Foreign securities	543	769
	<u>\$ 15,226</u>	<u>\$ 10,441</u>

Investment income (loss), which is presented as a component of nonoperating revenue, net, consists of the following for the years ended June 30, 2012 and 2011

	2012	2011
	(Dollars in Thousands)	
Realized gains	\$ 509	\$ 6,417
Dividend and interest income	2,450	2,907
	<u>\$ 2,959</u>	<u>\$ 9,324</u>

Mercy Medical Center

Notes to Financial Statements

Note 4. Assets Limited as to Use and Investments (Continued)

Investment securities are regularly evaluated for impairment. The Hospital considers factors affecting the investment, factors affecting the industry the investment operates within, and general debt and equity market trends. The Hospital considers the length of time an investment's fair value has been below carrying value, the near term prospects for recovery to carrying value, and the intent and ability to hold the investment until maturity or market recovery is realized. When a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value and the other-than-temporary loss is included as a component of investment income (loss), similar to realized losses, which are included in excess of revenue over expenses. There were no losses recognized as a result of management's analysis for the years ended June 30, 2012 and 2011.

Unrealized losses and fair value, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position, as of June 30, 2012 and 2011, are summarized as follows (dollars in thousands)

	Continuous Unrealized Losses Existing for Less Than 12 Months		Continuous Unrealized Losses Existing for Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2012						
Equities						
Domestic	\$ 4,815	\$ 85	\$ -	\$ -	\$ 4,815	\$ 85
International	342	110	2,490	828	2,832	938
Fixed income, global	3,555	56	-	-	3,555	56
Balanced fund	-	-	1,954	74	1,954	74
Limited partnerships, invested primarily in hedge fund	1,775	88	-	-	1,775	88
	<u>\$ 10,487</u>	<u>\$ 339</u>	<u>\$ 4,444</u>	<u>\$ 902</u>	<u>\$ 14,931</u>	<u>\$ 1,241</u>
June 30, 2011						
Equities, international	\$ 3,282	\$ 18	\$ 1,766	\$ 168	\$ 5,048	\$ 186
Balanced fund	-	-	2,117	37	2,117	37
Limited partnerships, invested primarily in hedge fund	171	2	-	-	171	2
	<u>\$ 3,453</u>	<u>\$ 20</u>	<u>\$ 3,883</u>	<u>\$ 205</u>	<u>\$ 7,336</u>	<u>\$ 225</u>

Mercy Medical Center

Notes to Financial Statements

Note 5. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, this guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date
- Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 investments also include market alternatives, measured using the practical expedient, that do not have any significant redemption restrictions, lock ups, gates or other characteristics that would cause liquidation and report date NAV to be significantly different.
- Level 3 Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Level 3 investments are valued using the practical expedient and would have significant redemption and other restrictions that would limit the Hospital's ability to redeem out of the fund at report date NAV. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Investments in equity securities, corporate bonds, global/foreign issues, U.S. government securities and balanced funds traded on a national securities exchange are valued at the last reported sales price on the day of valuation. These financial instruments are classified as level 1 in the fair value hierarchy.

Certain investments in equity securities and global/foreign issues are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date. In determining fair value, the Hospital utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The fair value of the Hospital's investments in funds generally represents the amount the Hospital would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply. Investments in funds are classified as level 2 in the fair value hierarchy.

Mercy Medical Center

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Investments in limited partnerships are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date. In determining fair value, the Hospital utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective other investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Hospital's investments in funds generally represents the amount the Hospital would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply. Investments in funds are classified as level 3 in the fair value hierarchy.

Interest rate swaps for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. These financial instruments are classified as level 2 in the fair value hierarchy.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended June 30, 2012.

Assets and liabilities recorded at fair value on a recurring basis:

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2012 and 2011, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (dollars in thousands).

	Fair Value Measurements Using			
	Quoted Prices			
	in Active Markets for			
	Identical Assets	Significant Other	Significant	
Fair Value	(Level 1)	Observable Inputs	Unobservable Inputs	
		(Level 2)	(Level 3)	
	June 30, 2012			
Assets Limited as to Use and Investments				
Mutual funds, primarily invested in				
Equities				
Domestic	\$ 35,113	\$ 35,113	\$ -	\$ -
International	26,878	20,185	6,693	-
Fixed income				
Corporate bonds	24,701	24,701	-	-
Global/foreign securities	18,633	5,781	12,852	-
U S government securities	23,518	23,518	-	-
Balanced fund	1,954	1,954	-	-
Limited partnerships, invested primarily in				
Hedge funds	8,205	-	-	8,205
Private equity funds	4,494	-	-	4,494
Real estate	10,563	-	-	10,563
	<u>\$ 154,059</u>	<u>\$ 111,252</u>	<u>\$ 19,545</u>	<u>\$ 23,262</u>
Interest rate swap liability	<u>\$ (15,994)</u>	<u>\$ -</u>	<u>\$ (15,994)</u>	<u>\$ -</u>

Mercy Medical Center

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		June 30, 2011		
Assets Limited as to Use and Investments				
Mutual funds, primarily invested in				
Equities				
Domestic	\$ 35,493	\$ 35,493	\$ -	\$ -
International	34,364	23,246	11,118	-
Fixed income				
Corporate bonds	21,436	21,436	-	-
Global/foreign securities	18,106	6,179	11,927	-
U S government securities	15,282	15,282	-	-
Balanced fund	2,117	2,117	-	-
Limited partnerships, invested primarily in				
Hedge funds	8,888	-	-	8,888
Private equity funds	4,777	-	-	4,777
Real estate	9,567	-	-	9,567
	<u>\$ 150,030</u>	<u>\$ 103,753</u>	<u>\$ 23,045</u>	<u>\$ 23,232</u>
Interest rate swap liability	<u>\$ (7,199)</u>	<u>\$ -</u>	<u>\$ (7,199)</u>	<u>\$ -</u>

Based on continued clarification on fair value from standard setting authorities, certain investments classified as level 3 securities for the year ended June 30, 2011 have been reclassified to be consistent with the classification for the year ended June 30, 2012. The reclassifications had no effect on total investments. There were no other transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the years ended June 30, 2012 and 2011.

Mercy Medical Center

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Hospital has utilized level 3 inputs to determine fair value

	Limited Partnerships	
	2012	2011
	(Dollars in Thousands)	
Balance, beginning	\$ 23,232	\$ 21,301
Total realized and unrealized gains, net included in earnings	590	2,875
Purchases	692	880
Sales and distributions	(1,252)	(1,824)
Balance, ending	<u>\$ 23,262</u>	<u>\$ 23,232</u>
Total gains, net, included in earnings attributable to the change in unrealized gains, net, relating to financial instruments still held	<u>\$ 590</u>	<u>\$ 2,870</u>

Management has determined fair value of investments classified within level 3 of the valuation hierarchy by comparing investment returns to the returns of the funds based on the audited financial statements obtained for the funds. Gains and losses included in earnings for the period above are reported in nonoperating income in the statement of operations and changes in net assets

The following table sets forth additional disclosure of the Hospital's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2012 and 2011

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2012	2011	2012		
	(Dollars in Thousands)				
Investments					
Equities, international (A)	\$ 6,693	\$ 11,118	\$ -	Semi-monthly	Trade Date minus 5 Days
Fixed income, global/foreign securities (B)	12,852	11,927	-	Monthly	Trade Date minus 10 Days
Limited partnerships, invested primarily in					
Hedge fund (C)	155	553	-	(C)	(C)
Hedge fund (C)	8,050	8,335	-	Quarterly	95 Days
Private equity funds (D)	4,494	4,777	2,051	(D)	(D)
Real estate (E)	10,563	9,567	604	(E)	(E)
	<u>\$ 42,807</u>	<u>\$ 46,277</u>	<u>\$ 2,655</u>		

- (A) These funds invest in international equity securities that are all exchange traded in countries outside of the USA. These funds can be redeemed semi-monthly (twice per month) at the net asset value per share based on the fair value of the underlying assets. The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

Mercy Medical Center

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

- (B) These funds invest in marketable securities that are all exchange traded in countries outside of the USA. These funds can be redeemed at the month-end net asset value per share based on the fair value of the underlying assets. The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager.
- (C) This investment is a hedge fund of funds. The investments within this fund utilize the following strategies: hedged equity, market dependent, event driven and market independent. The fund is valued monthly. However, redemptions can only be made as indicated above or distributions will be received as the underlying investments of the funds are liquidated over time.
- (D) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the net asset value provided by the fund manager.
- (E) The fund invests in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental USA. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager.

Note 6. Long-Term Debt

The Hospital's long-term debt as of June 30, 2012 and 2011 is summarized as follows:

	2012	2011
	(Dollars in Thousands)	
Revenue bonds, Series 2005 (A)(C)	\$ 52,100	\$ 54,200
Revenue bonds, Series 2003 (B)(C)	27,200	27,600
	79,300	81,800
Less current maturities	2,590	2,500
	<u>\$ 76,710</u>	<u>\$ 79,300</u>

- (A) In November 2005, \$58,405,000 of Series 2005 hospital facility revenue bonds (2005 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to advance refund existing Series 1999 hospital facility revenue bonds with maturity dates after August 2009 and pay certain expenses incurred in connection with the 2005 Bonds. The 2005 Bonds mature in varying annual amounts ranging from \$2,165,000 to \$3,760,000 through August 2029 and bear variable interest at the Auction Rate (0.315% as of June 30, 2012).

A portion of the proceeds of the 2005 Bonds, together with funds available under the prior bond indenture, have been deposited into certain reserve funds and invested in United States government obligations, the maturing principal of and interest paid on which will be sufficient to pay, when due, the principal and interest on the refunded bonds. Based on the opinion of legal counsel, the Series 1999 refunded bonds are deemed to have been legally defeased; therefore, the deposited funds and the bonds are no longer included on the Hospital's financial statements.

Mercy Medical Center

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

- (B) In May 2003, \$30,000,000 of Series 2003 hospital facility revenue bonds (2003 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to reimburse the Hospital for the costs of acquiring and constructing certain health care facilities and to pay certain expenses incurred in connection with the 2003 Bonds. The 2003 Bonds mature in varying annual amounts ranging from \$425,000 to \$5,700,000 through August 2032 and bear variable interest at the Auction Rate (0.613% as of June 30, 2012).
- (C) The Bonds are secured by the unrestricted receivables of the Hospital. Under the Master Indenture and Loan Agreements, the Hospital is subject to certain covenants, including the achievement of certain financial ratios, as well as restrictions on transfers of assets, insurance and additional debt.

The Hospital has a revolving line of credit with a bank under which it may borrow up to an aggregate of \$10,000,000. The Hospital had no outstanding borrowings under this agreement as of June 30, 2012 and 2011. The agreement expires March 5, 2013. The line of credit is uncollateralized.

Maturities of long-term debt over the next five years and thereafter are as follows (dollars in thousands):

Year ending June 30	
2013	\$ 2,590
2014	2,660
2015	2,765
2016	2,865
2017	2,945
Thereafter	65,475
	<u>\$ 79,300</u>

Note 7. Derivative Instruments, Interest Rate Swap Agreements

The Hospital maintains an interest-rate risk-management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The Hospital's specific goal is to lower (where possible) the cost of its borrowed funds.

The Hospital entered into interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate revenue bonds. The interest rate swaps are utilized to manage interest rate exposure over the period of the interest rate swaps. The change in the fair value of these swap agreements is included in nonoperating revenue in the accompanying statements of operations and changes in net assets. The interest settlements received by the Hospital or paid to the counterparty are included as a component of interest expense.

As of June 30, 2012 and 2011, the fair value of the derivatives was recorded within long-term liabilities on the balance sheets.

The interest rate swap agreements changed the Hospital's interest rate exposure on revenue bonds to a fixed rate as described below as of June 30, 2012 and 2011.

Mercy Medical Center

Notes to Financial Statements

Note 7. Derivative Instruments, Interest Rate Swap Agreements (Continued)

The Hospital's interest rate swap agreements as of June 30, 2012 and 2011 are summarized as follows

			June 30, 2012		Fair Value of		
			Fixed	Variable	Swap (Liability)		
Notional Amount		Termination Date	Rate	Rate	2012	2011	
(Dollars in Thousands)							
\$	27,200,000	(A)	August 2032	3.48%	0.35%	\$ (6,759)	\$ (2,391)
	52,100,000	(B)	August 2029	3.28	0.13	(9,235)	(4,808)
						<u>\$ (15,994)</u>	<u>\$ (7,199)</u>

- (A) Effective April 10, 2003 and as amended on September 14, 2006, the Hospital is a party to an interest rate swap agreement with an original notional amount of \$30,000,000. The notional amount of the swap decreases as the outstanding balance of the Series 2003 Bonds decrease. Under this arrangement, the Hospital pays a fixed rate of 3.48% and the counterparty pays a floating rate equal to 67% of the five-year swap rate less an applicable credit spread (floating rate of 0.35475% and 0.89745% as of June 30, 2012 and 2011, respectively), both of which are applied to the notional principal amount.
- (B) Effective November 17, 2005, the Hospital is a party to an interest rate swap agreement with an original notional amount of \$58,405,000. The notional amount of the swap decreases as the outstanding balance of the Series 2005 Bonds decreases. Under this arrangement, the Hospital pays a fixed rate of 3.275% and the counterparty pays a floating rate equal to 67% of the LIBOR (floating rate of 0.13065% and 0.10774% as of June 30, 2012 and 2011, respectively), both of which are applied to the notional principal amount.

The following table summarizes the amounts recorded in the Hospital's financial statements for derivative instruments as of June 30, 2012 and 2011 (dollars in thousands)

	Financial Statement Location	Fair Value	
		2012	2011
Liability derivatives, interest rate contracts	Long-term liabilities	\$ 15,994	\$ 7,199
Change in fair value	Nonoperating revenue (expense)	(8,795)	2,273

The net settlements recorded for derivative instruments in the Hospital's statements of operations increased interest expense for the years ended June 30, 2012 and 2011 by approximately \$2,463,000 and \$2,359,000, respectively.

Mercy Medical Center

Notes to Financial Statements

Note 8. Self-Insurance and Contingent Liabilities

Professional and general liability insurance:

The Hospital is self-insured for professional and general liability claims. It is the Hospital's policy to transfer, to a trust, amounts determined by an actuary to be sufficient to pay future losses. Current coverage under the self-insurance arrangement is \$10,000,000 per claim and \$20,000,000 in annual aggregate.

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. Additional claims may also be asserted against the Hospital arising from services provided to patients through June 30, 2012. Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. As of June 30, 2012 and 2011, the Hospital has recorded a liability which is included in self-insurance reserves of approximately \$5,228,000 and \$5,080,000, respectively, for estimated professional and general liability costs. The provision related to this program was \$148,000 and \$377,000 for the years ended June 30, 2012 and 2011, respectively.

Health insurance:

The Hospital offered its employees three options for employee group health insurance coverage for the first half of fiscal year 2012 (through calendar year ending December 31, 2011) and then effective January 1, 2012 offers two options. The Hospital is self-insured for all options. The self-insured claims are processed through the respective plan administrators. In addition, the Hospital has purchased stop-loss insurance coverage for claims in excess of \$150,000 per occurrence. During the years ended June 30, 2012 and 2011, employee health insurance expenses related to all plans totaled approximately \$13,010,000 and \$12,705,000, respectively. The Hospital has recorded a current liability totaling approximately \$1,288,000 and \$1,134,000 as of June 30, 2012 and 2011, respectively, for open claims and claims incurred but not reported.

Worker's compensation insurance:

The Hospital is self-insured for its worker's compensation insurance. The self-insured claims are processed through a plan administrator. In addition, the Hospital has purchased stop-loss insurance coverage for claims in excess of \$450,000 per year per occurrence and \$1,000,000 in the aggregate. During the years ended June 30, 2012 and 2011, worker's compensation insurance expenses totaled approximately \$1,019,000 and \$1,651,000, respectively. The Hospital has recorded a liability, which is included in self insurance reserves of approximately \$1,668,000 and \$1,508,000 as of June 30, 2012 and 2011, respectively, for open claims and claims incurred but not reported. The amounts receivable under the stop-loss insurance coverage includes \$370,000 and none as of June 30, 2012 and 2011, respectively, and are included in other long-term assets.

Mercy Medical Center

Notes to Financial Statements

Note 8. Self-Insurance and Contingent Liabilities (Continued)

Conditional asset retirement obligations:

The Conditional Asset Retirement Obligation Topic of the FASB Accounting Standards Codification clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Over the past 10 years, management has systematically renovated, replaced or newly constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management of the Hospital believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Hospital may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount as of June 30, 2012 and 2011.

Debt guarantee of affiliated organization:

In August 2011 the Hospital, for no consideration, agreed to guarantee 10% of the PCI Regional Medical Mall, LLC bank obligations, provided that the Hospital's guarantee amount shall not exceed \$3,200,000. The Hospital can be required to perform on the guarantee only in the event of nonpayment of the debt by the Medical Mall. Management evaluates the Hospital's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary. No accrual was deemed necessary as of June 30, 2012 and 2011.

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes that the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The Hospital has been subject to such an audit and may continue to be subject to additional audits at some time in the future.

Mercy Medical Center

Notes to Financial Statements

Note 8. Self-Insurance and Contingent Liabilities (Continued)

Health care reform:

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that final regulations and interpretive guidelines have yet to be published, the Hospital is unable to fully predict the impact of PPACA on its operations and financial results. If the law is implemented as adopted, the Hospital's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

Current economic conditions:

The current economic environment presents hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Mercy Medical Center

Notes to Financial Statements

Note 9. Employee Retirement Plans

The Hospital sponsors a defined contribution employee plan. Employees are eligible to participate in the plan upon reaching age 21 and completion of one year of employment. Each participant can make voluntary contributions to the plan and the Hospital will contribute an amount equal to 50% of participant contributions up to 4% of compensation. The Hospital also makes an annual discretionary contribution, which is currently equal to 3% of salary in the plan year. Expense incurred by the Hospital under this plan is \$1,311,000 and \$1,201,000 for the years ended June 30, 2012 and 2011, respectively. Effective July 1, 2006, the Hospital expanded the defined contribution plan for new employees, whereby the Hospital will contribute 4% of compensation to the Plan. The expense incurred by the Hospital under this expanded defined contribution plan is approximately \$3,012,000 and \$2,569,000 for the years ended June 30, 2012 and 2011, respectively.

The Hospital's noncontributory defined benefit pension plan (Plan) covers substantially all Hospital employees based on years of service and the employee's compensation during the consecutive three-year period prior to the employee's last month of service. The Hospital's policy is to fund the Plan at an amount at least equal to the actuarially calculated funding level. Effective July 1, 2006 current participants in the defined benefit pension plan were given the option to remain in the defined benefit pension plan, or to elect to move to the defined contribution plan, at which time their benefits in the defined benefit pension plan were frozen at current levels.

Effective July 1, 2010, the Board of Trustees adopted a resolution to freeze the defined benefit pension plan for its remaining participants. Under terms of the freeze, employees with at least 15 years of service and age 45 or older are receiving enhanced contributions under the defined contribution plan. There was no curtailment gain or loss as a result of this plan election.

The Compensation – Retirement Benefits Topic of the FASB Accounting Standards Codification requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations, must be recognized in the changes in unrestricted net assets. As a result, the Hospital has recognized the underfunded status of the defined benefit pension plan in the accompanying balance sheets as of June 30, 2012 and 2011. The accrual for the defined benefit pension plan liability is based on a comparison of the fair value of plan assets to the Plan's projected benefit obligation.

Mercy Medical Center

Notes to Financial Statements

Note 9. Employee Retirement Plans (Continued)

The Plan is measured annually at June 30. Information about the Plan follows:

	2012	2011
	(Dollars in Thousands)	
Projected benefit obligation, beginning of year	\$ (114,735)	\$ (108,317)
Interest cost	(6,464)	(6,311)
Actuarial loss		
Impact of change in assumptions	(11,345)	(2,621)
Other	892	124
Benefits paid	2,711	2,390
Projected benefit obligation, end of year	(128,941)	(114,735)
Fair value of plan assets	80,627	81,344
Funded status, benefit obligation in excess of plan assets	\$ (48,314)	\$ (33,391)
Rollforward of accrued benefit		
Accrued benefit on balance sheet, beginning of year	\$ (33,391)	\$ (40,530)
Return on plan assets	324	12,497
Hospital contributions	2,500	3,450
Change in plan liability	(17,747)	(8,808)
Accrued benefit on balance sheet, end of year	\$ (48,314)	\$ (33,391)
Components of net periodic pension cost, which is included as a component of excess of revenue over expenses on the accompanying statements of operations and changes in net assets, consist of:		
Interest cost	\$ 6,464	\$ 6,311
Expected return on plan assets	(6,436)	(5,483)
Amortization of unrecognized net loss	2,422	3,323
Amortization of unrecognized prior service cost (credit)	(27)	(27)
	\$ 2,423	\$ 4,124
Amounts not yet recognized as components of net periodic pension cost		
Net actuarial loss	\$ 47,921	\$ 32,948
Prior service cost (credit)	(116)	(143)
Unrecognized amounts, end of year	47,805	32,805
Unrecognized amounts, beginning of year	32,805	40,631
Current year change	\$ 15,000	\$ (7,826)
Assumptions used in computations		
In computing ending obligations		
Discount rate	5.15%	5.75%
Rate of compensation increase	3.75	3.75
In computing expected return on assets	8.10	8.10

Mercy Medical Center

Notes to Financial Statements

Note 9. Employee Retirement Plans (Continued)

The Hospital's objective is to maximize long-term returns while reducing losses in order to meet future benefit obligations. The Hospital follows the policy of using historical evidence in computing expected return on assets.

The fair values of the Hospital's defined benefit pension plan assets as of June 30, 2012 and 2011 by asset category, segregated by the level of the valuation inputs within the fair value hierarchy as described in Note 5, are as follows (dollars in thousands):

	Fair Value Measurement Using			
	Quoted Prices			
	in Active	Significant Other	Significant	
	Markets for	Observable	Unobservable	
	Identical Assets	Inputs	Inputs	
Fair Value	(Level 1)	(Level 2)	(Level 3)	
June 30, 2012				
Plan assets				
Mutual funds, primarily invested in				
Equities				
Domestic	\$ 18,912	\$ 12,444	\$ 6,468	\$ -
International	17,166	17,166	-	-
Fixed income				
Corporate bonds	7,628	7,628	-	-
Global/foreign securities	8,097	2,509	5,588	-
U S government securities	9,720	9,720	-	-
Limited partnerships, invested primarily in				
Hedge funds	6,337	-	-	6,337
Private equity funds	4,408	-	-	4,408
Real estate	7,502	-	-	7,502
	79,770	\$ 49,467	\$ 12,056	\$ 18,247
Other plan assets, cash and cash equivalents	857			
Total plan assets	\$ 80,627			
June 30, 2011				
Plan assets				
Mutual funds, primarily invested in				
Equities				
Domestic	\$ 18,917	\$ 10,970	\$ 7,947	\$ -
International	20,914	20,914	-	-
Fixed income				
Global/foreign securities	9,182	2,548	6,634	-
U S government securities	13,331	6,565	6,766	-
Limited partnerships, invested primarily in				
Hedge funds	6,637	-	-	6,637
Private equity funds	4,587	-	-	4,587
Real estate	6,532	-	-	6,532
	80,100	\$ 40,997	\$ 21,347	\$ 17,756
Other plan assets, cash and cash equivalents	1,244			
Total plan assets	\$ 81,344			

Mercy Medical Center

Notes to Financial Statements

Note 9. Employee Retirement Plans (Continued)

Based on continued clarification on fair value from standard setting authorities, certain investments classified as level 3 securities for the year ended June 30, 2011 have been reclassified to be consistent with the classification for the year ended June 30, 2012. The reclassifications had no effect on total investments. There were no other transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the years ended June 30, 2012 and 2011.

The following table presents additional information about the defined benefit pension plan assets measured at fair value on a recurring basis for which the Hospital has utilized level 3 inputs to determine fair value.

	Limited Partnerships	
	2012	2011
	(Dollars in Thousands)	
Balance, beginning	\$ 17,756	\$ 15,538
Total realized and unrealized gains or losses included in earnings	(288)	1,543
Purchases	1,183	1,440
Sales and distributions	(404)	(765)
Balance, ending	<u>\$ 18,247</u>	<u>\$ 17,756</u>

The following table sets forth additional disclosure of the Hospital's defined benefit pension plan assets whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2012 and 2011.

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2012	2011	2012		
	(Dollars in Thousands)				
Investments					
Equities, domestic (A)	\$ 6,468	\$ 7,947	\$ -	Semi-monthly	Trade Date minus 5 Days
Fixed income					
Global/foreign securities (B)	5,588	6,634	-	Monthly	Trade Date minus 10 Days
U.S. government securities					
securities (C)	-	6,766	-	Semi-monthly	Trade Date minus 10 Days
Limited partnerships, invested primarily in					
Hedge fund (D)	6,337	6,637	-	Quarterly	95 Days
Private equity funds (E)	4,408	4,587	1,938	(E)	(E)
Real estate (F)	7,502	6,532	222	(F)	(F)
	<u>\$ 30,303</u>	<u>\$ 39,103</u>	<u>\$ 2,160</u>		

- (A) These funds invest in equities that are all exchange traded in the United States of America. These funds can be redeemed semi-monthly (twice per month) at the net asset value per share based on the fair value of the underlying assets. The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager.
- (B) These funds invest in marketable securities that are all exchange traded in countries outside of the USA. These funds can be redeemed at the month end net asset value per share based on the fair value of the underlying assets. The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager.

Mercy Medical Center

Notes to Financial Statements

Note 9. Employee Retirement Plans (Continued)

- (C) These funds, mostly consisting of Treasury Inflation Protected Securities (TIPS), provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, the principal will remain at its original value or will be adjusted, whichever is greater. The value of a TIPS is estimated using net asset value of the investment as provided by the fund manager.
- (D) This investment is a hedge fund of funds. The investments within this fund utilize the following strategies: hedged equity, market dependent, event driven and market independent. The fund is valued monthly. However, redemptions can only be made as indicated above.
- (E) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the net asset value provided by the fund manager.
- (F) The fund invests in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental USA. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager.

The following summarizes target and actual asset allocations by major asset categories as of June 30, 2012 and 2011:

	Target Allocation		Actual	
	2012	2011	2012	2011
Equity securities	33%	38%	39%	43%
Fixed income	32	27	32	28
Real estate	15	15	13	12
Other	20	20	16	17
	100%	100%	100%	100%

The Hospital's objective is to maintain adequate levels of diversification among plan assets. The Hospital monitors the allocation on an ongoing basis and will reallocate plan assets accordingly.

The Hospital expects to contribute approximately \$2,500,000 to the defined benefit pension plan during the year ending June 30, 2013.

The benefit payments are expected to be paid as follows (dollars in thousands):

Year ending June 30	
2013	\$ 3,080
2014	3,369
2015	3,570
2016	4,173
2017	4,738
2018 to 2022	32,619
	<u>\$ 51,549</u>

Mercy Medical Center

Notes to Financial Statements

Note 10. Transactions with Affiliated Organizations

MCM pays \$232,000 of annual rent expense to the Hospital for the land occupied by the Physicians Clinic of Iowa and Internist Associates of Iowa and \$414,000 for clinical and office space rental

During the year ended June 30, 2011, MCM sold a parcel of property to the Hospital for an amount in excess of the carrying value of the property. Because MCM and the Hospital are related parties under common control, the excess of the sale price over the carrying value of the property of \$193,277 is recorded as a net asset transfer to affiliated organizations.

The Foundation transferred funds of approximately \$1,787,000 and \$1,341,000 for the years ended June 30, 2012 and 2011, respectively, to the Hospital for capital acquisitions. The Foundation contributed approximately \$1,131,000 and \$1,204,000 for the years ended June 30, 2012 and 2011, respectively, to the Hospital for Cancer Care, Hospice operations and Neuroscience, which are included in other operating revenue. In addition, the Foundation contributed approximately \$190,000 and \$214,000 to the Hospital during the years ended June 30, 2012 and 2011, respectively, to offset operating expenses, which is included within operating income.

During each fiscal year 2012 and 2011, the Hospital transferred \$2,500,000 to MercyCare Service Corporation. These transfers and those related to the Foundation noted above, are included in net transfers to affiliated organizations on the accompanying statements of operations and changes in net assets.

MercyCare Service Corporation provided funding to Mercy Medical Center for increasing health care access and community support in the amount of \$1,840,000 and \$306,000 for the years ended June 30, 2012 and 2011, respectively, which is included in other operating revenue.

Condensed financial data of the Foundation as of and for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
	(Dollars in Thousands)	
Assets		
Investments, at fair value	\$ 48,362	\$ 48,904
Other, primarily interest in trusts	4,558	4,577
	<u>\$ 52,920</u>	<u>\$ 53,481</u>
Total liabilities	<u>\$ 447</u>	<u>\$ 448</u>
Net assets		
Unrestricted	19,003	20,753
Temporarily restricted	9,584	9,395
Permanently restricted	23,886	22,885
	<u>52,473</u>	<u>53,033</u>
	<u>\$ 52,920</u>	<u>\$ 53,481</u>
Contributions received	\$ 3,101	\$ 2,338
Investment income	211	7,780
Operating expenses	(763)	(729)
Contributions made and transfers to affiliate	(3,108)	(2,759)
Change in net assets	<u>\$ (559)</u>	<u>\$ 6,630</u>

Mercy Medical Center

Notes to Financial Statements

Note 10. Transactions with Affiliated Organizations (Continued)

The temporarily restricted net assets are restricted for various health care services with a significant amount restricted for Cancer Care and Hospice

Approximately one-half of the income earned from the permanently restricted net assets is unrestricted, with the remaining income earned to be used primarily for cancer treatment

The Foundation's investments as of June 30, 2012 and 2011 consist of the following

	2012	2011
	(Dollars in Thousands)	
Mutual funds, invested primarily in		
Equities	\$ 13,079	\$ 14,812
Fixed income	13,445	11,708
Balanced fund	1,900	1,657
Limited partnerships	895	1,004
Common trust funds	17,875	17,814
Investments measured at fair value	47,194	46,995
Money market funds	1,168	1,909
	<u>\$ 48,362</u>	<u>\$ 48,904</u>

The following tables summarize the Foundation's assets which are measured at fair value, segregated by the level of the valuation inputs within the fair value hierarchy, described in Note 5, utilized to measure fair value (dollars in thousands)

	Fair Value	Level 1	Level 2	Level 3
	June 30, 2012			
Investments	\$ 47,194	\$ 28,423	\$ 18,103	\$ 668
Interest in trusts	3,399	-	-	3,399
	<u>\$ 50,593</u>	<u>\$ 28,423</u>	<u>\$ 18,103</u>	<u>\$ 4,067</u>
	June 30, 2011			
Investments	\$ 46,995	\$ 28,177	\$ 18,027	\$ 791
Interest in trusts	3,522	-	-	3,522
	<u>\$ 50,517</u>	<u>\$ 28,177</u>	<u>\$ 18,027</u>	<u>\$ 4,313</u>

Based on continued clarification on fair value from standard setting authorities, certain investments classified as level 3 securities for the year ended June 30, 2011 have been reclassified to be consistent with the classification for the year ended June 30, 2012. The reclassifications had no effect on total investments. There were no other transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the years ended June 30, 2012 and 2011.

Mercy Medical Center

Notes to Financial Statements

Note 10. Transactions with Affiliated Organizations (Continued)

The following table presents additional information about the Foundation's assets measured at fair value on a recurring basis for which the Foundation has utilized level 3 inputs to determine fair value

	2012	2011
	(Dollars in Thousands)	
Balance, beginning	\$ 4,313	\$ 4,277
Total realized and unrealized gains or losses included in earnings	11	105
Proceeds from distributions	(133)	(473)
Change in beneficial interest in trusts	(124)	404
Balance, ending	<u>\$ 4,067</u>	<u>\$ 4,313</u>

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2012 and 2011 (dollars in thousands)

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2012	2011	2012		
Investments					
Limited partnerships					
Hedge fund (A)	\$ 227	\$ 213	\$ -	Quarterly	60 Days
Hedge fund (B)	668	791	-	(B)	(B)
Common Trust Funds					
Capital Guardian US Invest					
Grade F I TXT 2554 (C)	8,320	7,788	-	Monthly	5 Days
Capital Guardian Global					
Equity TXT 2555 (D)	9,555	10,026	-	Monthly	5 Days
	<u>\$ 18,770</u>	<u>\$ 18,818</u>	<u>\$ -</u>		

- (A) This hedge fund invests in real estate (retail, office, residential, and land) and real estate partnerships (office, industrial/warehouse and land) in targeted metropolitan areas within the continental USA. This fund can be redeemed (all or any portion of the shares owned) on a quarterly basis by giving written notice at least sixty days prior to the end of the quarter for which the request is to be effective. The fund may redeem or decline to redeem, all or any portion of the shares held any investor with Board approval. Shares are redeemed at the per share net asset value of the fund as of the effective date of each redemption, which is the last business day of the quarter in which the redemption occurred. The fund will endeavor to honor redemption requests within twenty days after the end of the applicable quarter. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager.

Mercy Medical Center

Notes to Financial Statements

Note 10. Transactions with Affiliated Organizations (Continued)

- (B) The fund seeks to provide investors with access to a diversified multi-strategy investment portfolio designed to achieve stable, long-term, nonmarket directional positive returns with low relative volatility. Effective December 11, 2008, the fund suspended redemptions. Effective January 1, 2010, a restructure occurred whereby shareholders were offered the option to exchange their interest for a continuing fund or to remain invested in the fund as it commences an orderly liquidation of its portfolio. The Foundation chose the liquidation option. Under this option, it is estimated that investors will receive approximately 62%-65% of their net asset value as of June 30, 2009 in cash distributions on a semi-annual basis through mid-2013. The remaining 35%-38% will be received subsequent to mid-2013. During the years ended June 30, 2012 and 2011, the Foundation received distributions of \$133,068 and \$473,288, respectively. The Foundation has no unfunded commitments as of June 30, 2012. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager.
- (C) This fund's investment objectives are to seek high total return consistent with the conservation of capital by investing primarily in marketable fixed-income securities, denominated in U.S. dollars. The fund's investments include fixed-income securities, securities issued or guaranteed by the U.S. Government or its agencies, and cash and cash equivalents. This fund can be redeemed monthly at the current net asset value per share based on the fair value of the underlying assets. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager. These funds are priced daily.
- (D) This fund's investment objectives are to seek growth of capital and future income through investments in a portfolio comprised of equity securities of U.S. issuers, ADRs (American Depositary Receipts) for securities of non-U.S. issuers, and securities whose principal markets are outside the U.S. The fund's investments primarily consist of common stocks. This fund can be redeemed monthly at the current net asset value per share based on the fair value of the underlying assets. The redemption value is generally as of the date of the redemption and not the request date. The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager. These funds are priced daily.

Investment and interest in affiliated entities consists of the following as of June 30, 2012 and 2011

	2012	2011
	(Dollars in Thousands)	
Foundation	\$ 52,473	\$ 53,033
MR Associates, LLP	627	766
CRPHO	709	678
PCI Regional Medical Mall, LLC	450	800
PCI Lender, LLC	268	-
Eastern Iowa Sleep Center, LLC	1,116	1,123
	<u>\$ 55,643</u>	<u>\$ 56,400</u>

Mercy Medical Center

Notes to Financial Statements

Note 11. Commitments and Contingencies

The Hospital has operating lease agreements for equipment, office space and land which expire through 2040. Future annual minimum lease payments due under noncancelable agreements as of June 30, 2012 are as follows (dollars in thousands):

Year ending June 30	
2013	\$ 429
2014	236
2015	133
2016	73
2017	22
Thereafter	484
	<u>\$ 1,377</u>

Total operating lease expense was approximately \$481,000 and \$760,000 for the years ended June 30, 2012 and 2011, respectively.

The Hospital is nearing the completion of the construction of a new cancer center totaling approximately \$23,309,000 of which approximately \$438,000 is remaining as of June 30, 2012. The remaining commitments related to this project will be funded with cash from operations. The Hospital is planning on replacing their information system software in the year ending June 30, 2013. The Hospital has signed commitments totaling approximately \$37,700,000 of which approximately \$35,820,000 is remaining as of June 30, 2012.

Note 12. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
	(Dollars in Thousands)	
Health care services	\$ 195,577	\$ 186,439
General and administrative	55,547	50,869
	<u>\$ 251,124</u>	<u>\$ 237,308</u>

Mercy Medical Center

Notes to Financial Statements

Note 13. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of June 30, 2012 and 2011 was as follows:

	2012	2011
Medicare	48.0%	46.5%
Medicaid	9.3	7.4
Blue Cross	18.1	19.2
Other third-party payors	11.9	12.8
Patients	12.7	14.1
	<u>100.0%</u>	<u>100.0%</u>

As of June 30, 2012, the Hospital had deposits exceeding the federal depository insurance limits in one major financial institution. Management believes the credit risk related to these deposits is minimal.

Note 14. Endowments

The Foundation's endowments consist of various donor-restricted endowment funds and funds designated by the Board of Directors to function as quasi-endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State of Iowa's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as recommending the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) changes in the value of the Foundation's share of trust assets in perpetual trusts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net asset until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Mercy Medical Center

Notes to Financial Statements

Note 14. Endowments (Continued)

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year a maximum of 5% of the two year (8 quarters) rolling average of the market value of each endowment fund, although (absent donor stipulations) they are not required to appropriate any amount for distribution. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. At its July 2012 meeting, the Foundation's Board of Directors approved changing the maximum distribution each year to 4.5% of the Foundation's total assets on a two year (8 quarters) rolling average.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in unrestricted net assets, were approximately \$66,000 and \$22,000 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations. The Foundation reported these losses as a reduction of the Foundation's unrestricted, for general use, net assets.

The endowment net asset composition by type of fund consisted of the following as of June 30, 2012 and 2011 (dollars in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012				
Donor-restricted funds	\$ (66)	\$ 2,919	\$ 23,886	\$ 26,739
Board-designated (quasi) endowment funds	4,241	-	-	4,241
	<u>\$ 4,175</u>	<u>\$ 2,919</u>	<u>\$ 23,886</u>	<u>\$ 30,980</u>
June 30, 2011				
Donor-restricted funds	\$ (22)	\$ 3,020	\$ 22,885	\$ 25,883
Board-designated (quasi) endowment funds	3,913	-	-	3,913
	<u>\$ 3,891</u>	<u>\$ 3,020</u>	<u>\$ 22,885</u>	<u>\$ 29,796</u>

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Notes to Financial Statements

Note 14. Endowments (Continued)

Changes in endowment net assets for the years ended June 30, 2012 and 2011 consisted of the following (dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2012				
Endowment net assets, beginning of year	\$ 3,891	\$ 3,020	\$ 22,885	\$ 29,796
Investment return				
Investment income	662	661	388	1,711
Change in net unrealized gain	(722)	(198)	(389)	(1,309)
	(60)	463	(1)	402
Contributions	344	-	1,138	1,482
Appropriation of endowment funds for expenditures	-	(564)	-	(564)
Change in estimate of beneficial interest in trusts	-	-	(136)	(136)
Endowment net assets, end of year	\$ 4,175	\$ 2,919	\$ 23,886	\$ 30,980
2011				
Endowment net assets, beginning of year	\$ 1,006	\$ 2,189	\$ 22,374	\$ 25,569
Investment return				
Investment income	1,012	747	24	1,783
Change in net unrealized gain	1,873	628	84	2,585
	2,885	1,375	108	4,368
Contributions	-	-	152	152
Appropriation of endowment funds for expenditures	-	(544)	-	(544)
Change in estimate of beneficial interest in trusts	-	-	251	251
Endowment net assets, end of year	\$ 3,891	\$ 3,020	\$ 22,885	\$ 29,796