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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 HOSPITAL HOT SPRINGS

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
300 Werner PO Box 29001

City or town, state or country, and ZIP + 4
Hot Springs, AR 71913

D Employer identification number
71-0236913

E Telephone number
(314) 579-6100

G Gross receipts $ 192,386,699

F Name and address of principal officer
Timothy Johnsen
300 Werner
Hot Springs, AR 71913

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 mercy net

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

L Year of formation 1976

M State of legal domicile AR

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
AS THE SISTERS OF MERCY BEFORE US, WE BRING TO LIFE THE HEALING MINISTRY OF JESUS THROUGH OUR COMPASSIONATE CARE AND EXCEPTIONAL SERVICE

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	4
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	3
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	1,893
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	2,145,185
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	1,758,500	1,458,826
	9	Program service revenue (Part VIII, line 2g)	189,884,079	189,523,910
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	427,566	34,501
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	932,029	1,369,462
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	193,002,174	192,386,699
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	78,202	164,431
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	84,019,025	82,457,941
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶35,486		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	104,557,065	106,891,216
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	188,654,292	189,513,588
	19	Revenue less expenses Subtract line 18 from line 12	4,347,882	2,873,111

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	126,148,486	129,009,106
	21	Total liabilities (Part X, line 26)	10,917,422	11,006,501
	22	Net assets or fund balances Subtract line 21 from line 20	115,231,064	118,002,605

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 | Date 2013-05-13

Sara B Bradley VP Finance/Treasurer
Type or print name and title

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ▶ ☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ ERNST & YOUNG US LLP
190 CARONDELET PLAZA SUITE 1300
CLAYTON, MO 63105

EIN ▶

Phone no ▶ (314) 290-1000

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

AS THE SISTERS OF MERCY BEFORE US, WE BRING TO LIFE THE HEALING MINISTRY OF JESUS THROUGH OUR COMPASSIONATE CARE AND EXCEPTIONAL SERVICE

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

4a (Code) (Expenses $ 129,842,903 including grants of $ 164,431) (Revenue $ 189,523,910)

Mercy Hospital Hot Springs, as part of Mercy Health, has a long history and tradition of working to improve community health, both in the narrow sense of treating illness and the broader sense of other community services Since 1888 we have responded to the health care needs of individuals in Hot Springs and the surrounding communities, as well as working with others to achieve community health Mercy is committed to enhancing access to healthcare services so that all in need are served in a timely and just manner Our efforts include working collaboratively with other healthcare providers and community organizations to identify and implement solutions, developing internal policies and practices to promote just treatment, addressing the need of greater community outreach in order to provide services at the appropriate level of care and supporting policy initiatives that make health care more accessible

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶$ 129,842,903

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)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (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? *If "Yes," complete Schedule C, Part 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? *If "Yes," complete Schedule C, Part II*	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? *If "Yes," complete Schedule C, Part III*	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? *If "Yes," complete Schedule D, Part 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? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	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? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	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, line10? *If "Yes," complete Schedule D, Part VI.*	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? *If "Yes," complete Schedule D, Part VII.*	11b		No
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? *If "Yes," complete Schedule D, Part VIII.*	11c		No
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? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e		No
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)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	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? *If "Yes," complete Schedule F, Part 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 ? *If "Yes," complete Schedule F, Part II and IV*	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 ? *If "Yes," complete Schedule F, Part III and IV*	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? *If "Yes," complete Schedule G, Part 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? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	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)*

			Yes	No
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? *If "Yes," complete Schedule I, Parts I and II*	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? *If "Yes," complete Schedule I, Parts I and III*	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? *If "Yes," complete Schedule J*	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? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
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		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	26		No
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? *If "Yes," complete Schedule L, Part III*	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? *If "Yes," complete Schedule L, Part IV*	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	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? *If "Yes," complete Schedule L, Part IV*	28c		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	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? *If "Yes," complete Schedule R, Part I*	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	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)? *If "Yes," complete Schedule R, Part V, line 2*	35b	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	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? *If "Yes," complete Schedule R, Part VI*	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 . . . . ☑

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	5			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
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	2a	1,893			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
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)?			4a		No
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? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
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?			6a		No
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?			7a		No
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?			7c		No
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?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
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?			14a		No
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

				Line	Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	4			
b	Enter the number of voting members included in line 1a, above, who are independent	1b	3			
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?			2		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?			3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?			4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?			5		No
6	Did the organization have members or stockholders?			6	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?			7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?			7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following					
a	The governing body?			8a	Yes	
b	Each committee with authority to act on behalf of the governing body?			8b	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			9		No

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

		Line	Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	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?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a		No
b	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*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	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?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	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?	16a		No
b	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?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶AR

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 ▶

Sara Bradley VP of Finance
PO Box 29001
Hot Springs, AR 71903
(501) 622-1921

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

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 all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(1) Robert W Aspell MD Board Member-through 4/30/12	60 0	X						0	229,594	31,420
(2) Bruce Burton MD Board Member-through 4/30/12	1 0	X						0	0	0
(3) Forrest L Spicher II Board Member	1 0	X						0	0	0
(4) Gregory M Asbell Board Member-through 4/30/12	1 0	X						0	0	0
(5) Monda Barlow Board Member	1 0	X						0	0	0
(6) Sr Ann Hardcastle RSM Board Member	1 0	X						0	0	0
(7) Timothy Johnsen Chief Executive Officer	60 0	X		X				0	455,225	288,835
(8) Michael Ferguson Board member-through 4/30/12	1 0	X						0	0	0
(9) Sara Bradley VP-Finance	60 0			X				152,527	0	7,183
(10) Jonathan R Vitiello Chief Financial Officer	60 0			X				0	439,767	61,898
(11) Brenda Chase Chief Operating Officer	60 0				X			0	251,024	50,413
(12) Michele Diedrich Chief Nursing Officer	60 0				X			161,024	0	35,494
(13) Patrick McCruden VP-Mission	60 0				X			170,204	0	41,465
(14) Douglas Ross Medical Director	60 0				X			524,124	0	24,910
(15) Jed Liuzza VP-Human Resources	60 0				X			171,494	0	15,049
(16) Bradley Kim Day President-Central Comm	60 0				X			0	833,159	436,266
(17) Michael Merrigan Regional VP-General Counsel	60 0				X			0	320,923	65,228

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(18) Jaime Cardenas Medical Director	60 0				X			19,141	507,509	29,497
(19) William Hennessey III Regional VP-Marketing/Comm	60 0				X			0	280,544	47,347
(20) Robert Kleinhenz MD Physician	40 0					X		299,660	238,522	20,440
(21) Jonathan Townley Physician	40 0					X		308,843	0	23,422
(22) Wade C Wernecke Physician	40 0					X		396,516	0	23,183
(23) Tim Bumpas Physician	40 0					X		329,620		32,408
(24) Eric Vogel Physician	40 0					X		296,559	0	31,594
(25) Jerri L Mitchell Former CFO	0 0						X	0	106,757	0
(26) Mark Larey DO Former Key Employee	60 0						X	163,909	197,964	33,998
(27) Kathy Taylor Former Key Employee	40 0						X	144,518	0	10,378
(28) James Tutton Former Key Employee	40 0						X	290,418	0	30,303

		(D)	(E)	(F)
1b	**Sub-Total** ▶			
c	**Total from continuation sheets to Part VII, Section A** ▶			
d	**Total (add lines 1b and 1c)** ▶	3,428,557	3,860,988	1,340,731

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶48

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
QUEST DIAGNOSTICS PO BOX 740709 ATLANTA, GA 30374	LAB SERVICES	755,356
MIDSTATE MEDICAL SERV 3810 CENTRAL AVE SUITE H HOT SPRINGS, AR 71913	anesthesia COVERAGE	668,000
FAYETTEVILLE LITHOTRIPTERS ARI PO Box 847324 DALLAS, TX 75284	LITHOTRIPSY SERVICES	645,319
ROCHE DIAGNOSTICS CORP Mail Code 5021 PO Box 660367 DALLAS, TX 75266	LAB SERVICES	584,368
ARKANSAS NEPHROLOGY SERVICES 1900 Malvern Ave Suite 304 HOT SPRINGS, AR 71901	Dialysis services	511,200

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 ▶23

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	794,557				
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	664,269				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . ▶		1,458,826			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	622110	185,706,844	185,706,844		
	b	NON-PATIENT LABORATORY	621500	2,141,726		2,141,726	
	c	RENTAL INCOME FROM RELATED ORGS	531120	328,263	328,263		
	d	FOOD CATERER	722320	3,459		3,459	
	e	OTHER OPERATING REVENUE	900099	1,343,618	1,343,618		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . ▶		189,523,910			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		-26,735			-26,735
	4	Income from investment of tax-exempt bond proceeds . . ▶		0			
	5	Royalties . . . . ▶		0			

		(i) Real	(ii) Personal	(A)	(B)	(C)	(D)
6a	Gross rents	394,587					
b	Less rental expenses						
c	Rental income or (loss)	394,587					
d	Net rental income or (loss) . . . . ▶			394,587			394,587
		(i) Securities	(ii) Other				
7a	Gross amount from sales of assets other than inventory	51,121	10,115				
b	Less cost or other basis and sales expenses						
c	Gain or (loss)	51,121	10,115				
d	Net gain or (loss) . . . . ▶			61,236			61,236
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 . . ▶			0			
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 . . . ▶			0			
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 . . ▶			0			
	Miscellaneous Revenue		Business Code				
11a	CAFTERIA & VENDING		900099	974,875			974,875
b							
c							
d	All other revenue						
e	**Total.** Add lines 11a–11d . . . . . . ▶			974,875			
12	**Total revenue.** See Instructions . . . ▶			192,386,699	187,378,725	2,145,185	1,403,963

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	164,431	164,431		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	1,366,581	1,224,872	141,709	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	63,604,551	56,676,354	6,928,197	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,951,415		2,951,415	
9	Other employee benefits	9,976,541	36,113	9,940,428	
10	Payroll taxes	4,558,853	42	4,558,811	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	9,523		9,523	
c	Accounting	36,929		36,929	
d	Lobbying	0			
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	5,899,076	4,817,438	1,073,972	7,666
12	Advertising and promotion	90,248	4,308	85,596	344
13	Office expenses	3,617,906	3,411,401	205,997	508
14	Information technology	55,514	20,450	35,064	
15	Royalties . .	0			
16	Occupancy	2,744,028	1,168,645	1,575,383	
17	Travel	336,386	285,087	51,299	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	6,757	597	6,160	
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	9,545,617	4,974,264	4,571,353	
23	Insurance	1,474,775		1,474,775	
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	SHARED SERVICE FEES	32,627,569	7,188,663	25,485,570	-46,664
b	BAD DEBT EXPENSE	13,026,755	13,026,755		
c	REPAIRS & MAINTENANCE	693,761	287,953	405,808	
d	MEDICAL SUPPLIES	36,322,630	36,322,630		
e					
f	All other expenses	403,742	232,900	168,182	2,660
25	**Total functional expenses.** Add lines 1 through 24f	189,513,588	129,842,903	59,706,171	-35,486
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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	7,993,873	1	15,556,060
	2	Savings and temporary cash investments	0	2	0
	3	Pledges and grants receivable, net	0	3	0
	4	Accounts receivable, net	20,889,753	4	25,077,662
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	0	5	0
	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	0	6	0
	7	Notes and loans receivable, net	25,085,836	7	454,336
	8	Inventories for sale or use	3,980,703	8	4,182,703
	9	Prepaid expenses and deferred charges	219,669	9	235,246
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 236,876,104			
	b	Less accumulated depreciation — 10b: 176,884,249	62,757,599	10c	59,991,855
	11	Investments—publicly traded securities	0	11	0
	12	Investments—other securities See Part IV, line 11	0	12	0
	13	Investments—program-related See Part IV, line 11	0	13	0
	14	Intangible assets	4,847,549	14	4,828,394
	15	Other assets See Part IV, line 11	373,504	15	18,682,850
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	126,148,486	16	129,009,106
Liabilities	17	Accounts payable and accrued expenses	10,917,422	17	10,366,447
	18	Grants payable	0	18	0
	19	Deferred revenue	0	19	640,054
	20	Tax-exempt bond liabilities	0	20	0
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*	0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*	0	22	0
	23	Secured mortgages and notes payable to unrelated third parties	0	23	0
	24	Unsecured notes and loans payable to unrelated third parties	0	24	0
	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	0	25	0
	26	**Total liabilities.** Add lines 17 through 25	10,917,422	26	11,006,501
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	115,206,064	27	117,977,605
	28	Temporarily restricted net assets	25,000	28	25,000
	29	Permanently restricted net assets	0	29	0
		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	115,231,064	33	118,002,605
	34	Total liabilities and net assets/fund balances	126,148,486	34	129,009,106

Part XI Reconcilliation 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	192,386,699
2	Total expenses (must equal Part IX, column (A), line 25)	2	189,513,588
3	Revenue less expenses Subtract line 2 from line 1	3	2,873,111
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	115,231,064
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-101,570
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	118,002,605

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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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?	3a	Yes	
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 . .	3b	Yes	

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 HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

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?

		Yes	No
(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?	**11g(i)**		
(ii) a family member of a person described in (i) above?	**11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

(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? Yes	No	**(v)** Did you notify the organization in col (i) of your support? Yes	No	**(vi)** Is the organization in col (i) organized in the U S ? Yes	No	**(vii)** Amount of support?
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 (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 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 (or fiscal year beginning in)	**(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 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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493134060233

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.**

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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	Employer identification number
MERCY HOSPITAL HOT SPRINGS	71-0236913

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		

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

	(a)	(b)
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) Yes	(a) No	(b) 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		16,495
j	Total lines 1c through 1i			16,495
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).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
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
FORM 990, SCHEDULE C, PART II-B, LINE 1(I)	SUPPLEMENTAL LOBBYING INFORMATION	THE FILING ORGANIZATION IS A MEMBER OF AND PAYS DUES TO THE FOLLOWING HOSPITAL ASSOCIATIONS ARKANSAS HOSPITAL ASSOCIATION, CATHOLIC HEALTH ASSOCIATION, AND AMERICAN HOSPITAL ASSOCIATION FOR THE YEAR ENDED JUNE 30, 2012, DUES WERE $59,736, $36,840 AND $18,060, RESPECTIVELY APPROXIMATELY 17% OF ARKANSAS HOSPITAL ASSOCIATON DUES, 5 15% OF CATHOLIC HEALTH ASSOCIATION DUES AND 24 6% OF AMERICAN HOSPITAL ASSOCIATION DUES WERE ATTRIBUTABLE TO LOBBYING ACTIVITIES PERFORMED BY THESE ASSOCIATIONS

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

► 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.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERCY HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

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	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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
c	Beginning balance	**1c**	
d	Additions during the year	**1d**	
e	Distributions during the year	**1e**	
f	Ending balance	**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	25,000	25,000	25,000	25,000	
b	Contributions					
c	Investment earnings or losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	25,000	25,000	25,000	25,000	

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

a Board designated or quasi-endowment ▶ 100 000 %

b Permanent endowment ▶

c Term endowment ▶

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

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	0	3,026,557		3,026,557
b Buildings	0	76,467,679	45,440,453	31,027,226
c Leasehold improvements		1,680,893	631,935	1,048,958
d Equipment		148,316,043	125,438,638	22,877,405
e Other		7,384,932	5,373,223	2,011,709
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				59,991,855

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		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

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
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

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

(a) Description	(b) Book value
(1) INTERCOMPANY RECEIVABLES	18,674,889
(2) OTHER RECEIVABLES	7,961
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	18,682,850

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
See Additional Data Table	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

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 (ASC740)

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	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
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			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
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			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
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			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

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
FORM 990, SCHEDULE D, PART V, LINE 4	INTENDED USE OF THE ORGANIZATIONS ENDOWMENT FUNDS	TEMPORARILY RESTRICTED NET ASSETS ARE RESTRICTED TO FUND NURSING SCHOOL SCHOLARSHIPS
FORM 990, SCHEDULE D, PART X, LINE 2	ASC 740 FOOTNOTE	THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MERCY HEALTH AND SUBSIDIARIES DO NOT INCLUDE A FOOTNOTE TO REPORT THE ORGANIZATION'S LIABILITY FOR UNCERTAIN TAX PROVISIONS UNDER ASC 740, AS THEY ARE DEEMED IMMATERIAL FOR DISCLOSURE

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493134060233

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 HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☑ 100% ☐ 150% ☐ 200% ☐ Other ______ %			
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other ______ %			
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 eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring 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)			12,357,884	0	12,357,884	7 000 %
b Medicaid (from Worksheet 3, column a)			21,856,998	9,644,796	12,212,202	6 910 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			34,214,882	9,644,796	24,570,086	13 910 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			536,424		536,424	0 300 %
f Health professions education (from Worksheet 5)			320,142		320,142	0 180 %
g Subsidized health services (from Worksheet 6)			182,229		182,229	0 100 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			286,864		286,864	0 160 %
j **Total** Other Benefits			1,325,659		1,325,659	0 740 %
k **Total.** Add lines 7d and 7j			35,540,541	9,644,796	25,895,745	14 650 %

Part II Community 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
1 Physical improvements and housing			50,000		50,000	0 030 %
2 Economic development						
3 Community support			75,848		75,848	0 040 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**			125,848		125,848	0 070 %

Part III Bad Debt, Medicare, & Collection Practices

				Yes	No
Section A. Bad Debt Expense					
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	3,556,304			
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3				
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	85,165,234			
6 Enter Medicare allowable costs of care relating to payments on line 5	6	77,768,566			
7 Subtract line 6 from line 5 This is the surplus or (shortfall)	7	7,396,668			
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 IV Management 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					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	MERCY HOSPITAL HOT SPRINGS 300 WERNER HOT SPRINGS, AR 71913	X	X					X		

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)

Name of Hospital Facility: MERCY HOSPITAL HOT SPRINGS

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	1		
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)			
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?	5		
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)			
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?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100% If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	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)			
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?	13	Yes	
	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)			
	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?	16		No
	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)			
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?	**18**	Yes	
If "No," indicate why			
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

		Yes	No
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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**		No
If "Yes," explain in Part VI			

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? 22

	Name and address	Type of Facility (Describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

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, 6i, 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
FORM 990, SCHEDULE H, PART I, LINE 6A		THE ORGANIZATION'S COMMUNITY BENEFIT REPORT IS PREPARED BY ITS PARENT ENTITY, MERCY HEALTH HOT SPRINGS COMMUNITIES FORM 990, SCHEDULE H, PART I, LINE 7, COLUMN F TOTAL EXPENSES FR OM FORM 990, PART IX, LINE 25, COLUMN (A) ARE $189,513,588 INCLUDED IN THIS AMOUNT WAS BA D DEBT EXPENSE (CHARGES) OF $13,026,755 EXPENSES FOR THE PURPOSE OF CALCULATING LINE 7, C OLUMN (F) ARE $176,486,833 FORM 990, SCHEDULE H, PART II EXPLANATION MERCY HOSPITAL HOT S PRINGS' COMMUNITY BUILDING AND COALITION BUILDING ACTIVITIES PROMOTE THE HEALTH OF THE COM MUNITIES THEY SERVE THROUGH THEIR PARTICIPATION IN COMMUNITY-BASED EVENTS, MEETINGS AND BY SERVING ON COMMUNITY BOARDS COALITION BUILDING WITH THE MEETINGS WITH PUBLIC SCHOOL DIST RICTS TO DISCUSS AND DEVELOP THE HEALTHTEACHER HEALTH AND WELLNESS INITIATIVE OFFERED AT N O CHARGE TO THESE SCHOOLS FORM 990, SCHEDULE H, PART III, LINE 2 TO DETERMINE THE AMOUNT OF BAD DEBT EXPENSE, AT COST, BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENT ACCOUNTS WAS MULTIP LIED BY A RATIO OF COST TO CHARGES THE RATIO OF COST TO CHARGES USED WAS BASED ON DETAILE D COST ACCOUNTING, WHERE AVAILABLE WHERE COST ACCOUNTING IS NOT AVAILABLE, COST REPORT CO ST TO CHARGE RATIOS WERE UTILIZED FORM 990, SCHEDULE H, PART III, LINE 3 THE FILING ORGAN IZATION DETERMINED THAT THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS $0 ALTHOUGH THE CHARIT Y CARE POLICY REQUIRES THE PARTICIPATION OF THE PATIENT REQUESTING ASSISTANCE, WE HAVE A P ROCESS UNDER PRESUMPTIVE CHARITY (REFER TO DISCLOSURE FOR PART III, #9B) TO ADDRESS ACCOUN TS FOR PATIENTS WHO DO NOT PROVIDE THE INFORMATION WE BELIEVE THAT OUR CHARITY POLICY IS COMPREHENSIVE ENOUGH TO CAPTURE ALMOST ALL PATIENTS WHO QUALIFY FOR CHARITY CARE FORM 990 , SCHEDULE H, PART III, LINE 4 THE TEXT OF THE FOOTNOTE THAT IS INCLUDED IN MERCY HEALTH A ND SUBSIDIARIES AUDITED FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE IS AS FOLLOWS "PATIENT ACCOUNTS THAT ARE UNCOLLECTED, INCLUDING THOSE PLACED WITH COLLECTION AGENCIES, ARE INITIALLY CHARGED AGAINST THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IN ACCORDANCE WITH COLLECTION POLICIES OF THE HEALTH SYSTEM AND, IN CERTAIN CASES, ARE RECLASSIFIED TO CHARI TY CARE IF DEEMED TO OTHERWISE MEET THE HEALTH SYSTEM'S CHARITY CARE POLICY THE PROVISION FOR UNCOLLECTIBLE RECEIVABLES IS BASED ON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPEC TED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTHCARE COV ERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSES SES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES BASED UPON THE PAYOR COMPO SITION AND AGING OF RECEIVABLES AS OF THE REPORTING DATE WITH CONSIDERATION OF THE HISTORI CAL PAYMENT AND WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THESE REVIEWS ARE T HEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR UNCOLLECTIBLE RECEIVABLES TO ESTAB LISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, THE HEALTH SYSTEM FOLLOWS ESTABLISHED GUIDELINES FOR PLACING PAST-DUE BALANCES WITH COLLECTION AGENCIES " FORM 990, SCHEDULE H, PART III, LINE 8 IT IS THE POSI TION OF MERCY HOSPITAL HOT SPRINGS THAT 100% OF ANY SHORTFALL SHOULD BE TREATED AS A COMMU NITY BENEFIT THIS AMOUNT REPRESENTS THE COST OF PROVIDING SERVICES THAT REMAIN UNCOMPENSA TED TO THE PROVIDER THE UNREIMBURSED COSTS OF MEDICARE ARE CALCULATED BY TAKING THE GROSS CHARGES NET OF THE COST TO CHARGE RATIO LESS ANY PAYMENTS, DEDUCTIONS OR REIMBURSEMENTS U SING THE ANNUAL MEDICARE COST REPORT (CMS FORM 2552-96) FORM 990, SCHEDULE H, PART III, L INE 9B MERCY HOSPITAL HOT SPRINGS' ("MERCY'S") DEBT COLLECTION POLICY PROVIDES THAT MERCY WILL PERFORM A REASONABLE REVIEW OF EACH INPATIENT ACCOUNT BEFORE TURNING AN ACCOUNT OVER TO A THIRD-PARTY COLLECTION AGENT AND PRIOR TO INSTITUTING ANY LEGAL ACTION FOR NON-PAYMEN T, TO ASSURE THAT THE PATIENT AND PATIENT GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSISTANCE PR OGRAM (E G , MEDICAID) AND DO NOT QUALIFY FOR COVERAGE THROUGH MERCY'S COMMUNITY ASSISTANC E POLICY AFTER HAVING BEEN TURNED OVER TO A THIRD-PARTY COLLECTION AGENT, ANY PATIENT ACC OUNT THAT IS SUBSEQUENTLY DETERMINED TO HAVE MET THE MERCY COMMUNITY ASSISTANCE POLICY IS REQUIRED TO BE RETURNED IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO MERCY FOR APPRO PRIATE FOLLOW-UP MERCY REQUIRES ITS THIRD-PARTY COLLECTION AGENTS TO INCLUDE A MESSAGE ON ALL STATEMENTS INDICATING THAT IF A PATIENT OR PATIENT GUARANTOR MEETS CERTAIN STIPULATED INCOME REQUIREMENTS, THE PATIENT OR PATIENT GUARANTOR MAY BE ELIGIBLE FOR FINANCIAL ASSIS TANCE MERCY UTILIZES THE "SEARCH AMERICA" TOOL TO ENHANCE THE ABILITY TO DETERMINE CHARIT Y QUALIFICATION PRESUMPTIVE CHARITY WILL BE GRANTED IN SITUATIONS WHERE MERCY HAS BEEN UN ABLE TO OBTAIN INFORMATION FROM PATIENTS OR THE INFORMATION PROVIDED IS NOT COMPLETE ENOUG H TO MAKE A CHARITY DETERMINATION MERCY UTILIZES

Identifier	ReturnReference	Explanation
FORM 990, SCHEDULE H, PART I, LINE 6A		PRESUMPTIVE CHARITY PRIOR TO BAD DEBT PLACEMENT FOR CHARITY ADJUSTMENTS IN EXCESS OF $6,50 0 IN THESE CASES, MERCY UTILIZES THE SEARCH AMERICA REPORT STATUS OF "PROBABLE CHARITY" A S THE BASIS FOR ASSIGNING THE CHARITY LEVEL MERCY WILL PURSUE APPROPRIATE MEANS IN THE CO LLECTION OF DELINQUENT ACCOUNTS FROM PATIENTS WITH AN ESTABLISHED ABILITY TO PAY OR AN UNW ILLINGNESS TO COOPERATE IN VALIDATING ELIGIBILITY FOR FINANCIAL ASSISTANCE THESE APPROPRI ATE MEANS MAY INCLUDE LEGAL ACTION CONSISTENT WITH MERCY MISSION AND VALUES ADDITIONALLY THEY MAY INCLUDE LIENS UPON REAL PROPERTY AND REASONABLE WAGE GARNISHMENTS LEGAL ACTIONS WILL GENERALLY NOT INCLUDE BANK GARNISHMENT, REPOSSESSION OF ASSETS OR FORECLOSURES TO ENF ORCE SATISFACTION OF A LIEN MERCY HAS POLICIES AND PROCEDURES ESTABLISHED TO ADDRESS THE INITIATION OF LEGAL ACTION AND ANNUALLY REVIEWS COMPLIANCE WITH ALL POLICIES FORM 990, SC HEDULE H, PART V, LINE 19D EACH HOSPITAL FACILITY USED THE AVERAGE DISCOUNT OF THE HIGHEST (BEST PAYING) THREE COMMERCIAL MANAGED CARE PAYERS AS THE BASIS FOR ESTABLISHING UNINSURE D DISCOUNT RATES FOR FAP ELIGIBLE INDIVIDUALS UNDER NO CIRCUMSTANCES, WILL THIS UNINSURED DISCOUNT BE LESS THAN 15% FORM 990, SCHEDULE H, PART VI, LINE 2 NEEDS ASSESMENT MERCY HO SPITAL HOT SPRINGS' OBJECTIVES OF COMMUNITY NEEDS ASSESSMENT ARE TO IDENTIFY HEALTH NEEDS IN HOT SPRINGS, ARKANSAS AND THE SURROUNDING COMMUNITIES, AND TO INVOLVE THE COMMUNITY IN THE HEALTH PLANNING EFFORTS THE INFORMATION GATHERED IS USED TO PLAN STRATEGICALLY, AND B ETTER MEET THE HEALTH AND HUMAN SERVICE NEEDS OF THESE COMMUNITIES MERCY HOSPITAL HOT SPR INGS LOOKS AT COMMUNITY NEEDS ASSESSMENT AS AN OPPORTUNITY TO BUILD RELATIONSHIPS, EDUCATE THE COMMUNITY AND IDENTIFY RESOURCES THAT ARE AVAILABLE TO MEET IDENTIFIED NEEDS BASIC D ISCUSSION FORUMS HAVE BEEN UTILIZED TO FOSTER CONVERSATION WITH KEY STAKEHOLDERS EXAMPLES OF FORUMS INCLUDE AN ADVISORY BOARD, FOCUS GROUPS, OPINION SURVEYS, AND COMMUNITY ROUND T ABLE DISCUSSIONS STAKEHOLDER PARTICIPANTS INCLUDE BOARD MEMBERS, COMMUNITY/CIVIC LEADERS, LOCAL EMPLOYERS, OTHER HEALTH CARE PROVIDERS, FORMER PATIENTS, AND CO-WORKERS FORM 990, SCHEDULE H, PART VI, LINE 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE MERCY HOSPITAL HOT SPRINGS HAS PRINTED MATERIAL AVAILABLE AT EACH POINT OF REGISTRATION IN OUR FACILITY, IN ADDITION TO ELECTRONIC AVAILABILITY AT OUR WEB SITE SPECIFIC INFORMATION PROVIDED FI NANCIAL ASSISTANCE INFORMATION AS A PART OF OUR HEALING MINISTRY, MERCY HOSPITAL HOT SPRIN GS IS COMMITTED TO PROVIDING QUALITY HEALTHCARE SERVICES TO PATIENTS REGARDLESS OF THEIR F INANCIAL SITUATION WE OFFER PAYMENT ASSISTANCE FOR THOSE WHO DO NOT HAVE INSURANCE OR WHO ARE IN FINANCIAL NEED UNINSURED PATIENT DISCOUNTS A DISCOUNT FROM THE HOSPITAL'S REGULAR BILLED CHARGES WILL BE PROVIDED TO PATIENTS WHO DO NOT HAVE INSURANCE THIS INCLUDES PATI ENTS WHOSE FINANCIAL SITUATION NORMALLY WOULD NOT OTHERWISE QUALIFY THEM FOR CHARITY CARE DISCOUNTS PATIENTS WITHOUT INSURANCE WHOSE FINANCIAL SITUATION QUALIFIES THEM FOR CHARITY CARE DISCOUNTS (SEE ELIGIBILITY GUIDELINES BELOW) MUST FIRST FIND OUT IF THEY ARE ELIGIBL E FOR MEDICAID BEFORE APPLYING FOR FINANCIAL ASSISTANCE PATIENTS DENIED MEDICAID ELIGIBIL ITY THEN MUST PROVIDE CERTAIN INFORMATION TO SHOW FINANCIAL NEED APPLICATIONS FOR CHARITY CARE DISCOUNTS WILL BE REVIEWED FOR ELIGIBILITY BASED ON THE APPLICANT'S INCOME, FAMILY S IZE, AMOUNT OF PAYMENT DUE AND AVAILABILITY OF OTHER ASSETS OR RESOURCES PLEASE NOTE THAT CARE MUST BE MEDICALLY NECESSARY TO BE CONSIDERED ELIGIBLE FOR UNINSURED PATIENT DISCOUNT S ELIGIBILITY GUIDELINES FOR CHARITY CARE DISCOUNTS THE FEDERAL POVERTY GUIDELINES FOR IN COME ARE THE BASIS FOR DETERMINING ELIGIBILITY FOR CHARITY CARE DISCOUNTS FOR EXAMPLE, IN DIVIDUALS WITH INCOMES BELOW 100% OF THE FEDERAL POVERTY GUIDELINES WILL BE ELIGIBLE FOR F REE CARE INDIVIDUALS WITH INCOMES GREATER THAN 100% OF THE FEDERAL POVERTY GUIDELINES MAY BE ELIGIBLE FOR CARE AT DISCOUNTED RATE

Additional Data

Software ID:
Software Version:
EIN: 71-0236913
Name: MERCY HOSPITAL HOT SPRINGS

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **22** Name and address	Type of Facility (Describe)
Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small
Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small
Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small
Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small
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Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **22** Name and address	Type of Facility (Describe)
Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small
Mercy Glenwood 234 Broadway Glenwood, AR 71943	Primary Care Small

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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 HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

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
(1) St John's Catholic School583 W Grand Ave Hot Springs,AR 71901	71-0539026	501(C)(3)	30,000				Scholarships
(2) Mid-America Science Museum500 Mid American Blvd Hot Springs,AR 71913	20-2129318	501(C)(3)	25,000				Donations
(3) American Heart Association7272 Greenville Avenue Dallas,TX 75231	13-5613797	501(c)(3)	12,500				Sponsorship Heart Ball
(4) Garland County Habitat for HumanityP O Box 171 Hot Springs,AR 71902	71-0776139	501(C)(3)	50,000				Habitat House
(5) Arkansas Hospital Education & Research419 Natural Resources Little Rock,AR 72205	71-0392458	501(C)(3)	17,292				Community Assistance Program Contribution

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 5

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 0

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**
Form 990, Schedule I, Part I, Line 2	Description of Organization's Procedures for Monitoring the Use of Grants	THE ASSISTANCE PROVIDED IS INTENDED TO BE USED FOR THE GENERAL OPERATING PURPOSES OF THE DONEE THE USE OF GRANT FUNDS IS NOT MONITORED AFTER GRANTS ARE GIVEN

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Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MERCY HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 orprovision 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**	Yes	
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**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured 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				
See Additional Data Table								

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
Form 990, Schedule J, Part I, Question 1		Charter travel is provided to certain employees as and when appropriate, and as deemed necessary for business travel After charter travel approval has been granted in accordance with the financial justification process, the approved charter travel for business is a reimbursable expense which is not taxable to the employees Travel for companions is provided in rare instances and in accordance with the co-worker travel and other expense policy and procedures Where companion travel has resulted in a taxable event, the employees are taxed for such travel Limited instances of tax gross-ups may have occurred with respect to executives Form 990, Schedule J, Part I, Question 3 Mercy Hospital Hot Springs relies on a related organization, refer to Schedule O, Part VI, Question 15a and 15b for the process the related organization follows Form 990, Schedule J, Part I, Question 4a The following individual received a severance payment during calendar 2011 Jerri (Lynne) Mitchell, $106,757 Form 990, Schedule J, Part I, Question 4b Mercy Health offers supplemental retirement plans to certain executives which provide benefits upon retirement based on compensation, age at the time of benefit commencement, length of service with the company and/or its affiliates, and length of tenure in the plan The individuals reportable on this return who participate in the supplemental retirement plans include Timothy Johnsen, Jonathan Vitiello, Bradley Day, Michael Merrigan, Brenda Chase, Michele Diedrich, Patrick McCruden, and William Hennessey The amount of all accrued benefits is included in compensation amounts provided in Schedule J, Part II, Column (C) Form 990, Schedule J, Part I, Question 7 Mercy Health provides a non-fixed bonus plan for which certain tiers of its employees are eligible For fiscal year 2012 (July 1, 2011 - June 30, 2012), payment of all or part of the bonus was contingent upon attainment of certain financial targets Payments are made annually in October following (I) the conclusion of the fiscal year and (II) determination of goal achievement Bonus opportunities are tiered percentages and are dependent upon the leadership level and attainment percentage Mercy's attainment of financial goals is reviewed by the Executive Compensation Committee of Mercy Health and is then taken into account when analyzing executive compensation for reasonableness

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 71-0236913
Name: MERCY HOSPITAL HOT SPRINGS

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B)(i) Base Compensation	(B)(ii) Bonus & incentive compensation	(B)(iii) Other compensation	(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
Robert W Aspell MD	(i)	0	0	0	0	0	0	0
	(ii)	154,064	20,000	55,530	16,974	14,446	261,014	
Timothy Johnsen	(i)	0	0	0	0	0	0	0
	(ii)	339,619	94,748	20,858	272,538	16,297	744,060	0
Jerri L Mitchell	(i)	0	0	0	0	0	0	0
	(ii)	0	0	106,757	0	0	106,757	0
Sara Bradley	(i)	137,362	14,026	1,139	1,433	5,750	159,710	0
	(ii)	0	0	0	0	0	0	0
Jonathan R Vitiello	(i)	0	0	0	0	0	0	0
	(ii)	278,936	69,300	91,531	46,475	15,423	501,665	0
Brenda Chase	(i)	0	0	0	0	0	0	0
	(ii)	182,651	40,591	27,782	43,720	6,693	301,437	0
Michele Diedrich	(i)	132,265	15,097	13,662	20,734	14,760	196,518	0
	(ii)	0	0	0	0	0	0	0
Patrick McCruden	(i)	125,528	16,145	28,531	26,879	14,586	211,669	0
	(ii)	0	0	0	0	0	0	0
Douglas Ross	(i)	437,262	32,774	54,088	9,344	15,566	549,034	0
	(ii)	0	0	0	0	0	0	0
Robert Kleinhenz MD	(i)	162,849	24,687	112,124	4,652	6,901	311,213	0
	(ii)	221,874	0	16,648	3,703	5,184	247,409	0
Jonathan Townley	(i)	246,997	17,230	44,616	8,070	15,352	332,265	0
	(ii)	0	0	0	0	0	0	0
Wade C Wernecke	(i)	323,524	21,981	51,011	7,125	16,058	419,699	0
	(ii)	0	0	0	0	0	0	0
Jed Liuzza	(i)	140,137	15,651	15,706	5,510	9,539	186,543	0
	(ii)	0	0	0	0	0	0	0
Bradley Kim Day	(i)	0	0	0	0	0	0	0
	(ii)	598,570	203,887	30,702	422,839	13,427	1,269,425	0
Michael Merrigan	(i)	0	0	0	0	0	0	0
	(ii)	214,349	66,366	40,208	49,457	15,771	386,151	0
Jaime Cardenas	(i)	18,541	0	600	337	852	20,330	0
	(ii)	456,662	20,000	30,847	8,947	19,361	535,817	0
Tim Bumpas	(i)	230,705	13,354	85,561	19,905	12,503	362,028	0
	(ii)							
Eric Vogel	(i)	228,590	16,958	51,011	15,536	16,058	328,153	0
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
Mark Larey DO	(i)	128,694	9,348	25,867	0	7,320	171,229	0
	(ii)	170,147	0	27,817	17,231	9,447	224,642	
Kathy Taylor	(i)	117,668	13,394	13,456	4,278	6,100	154,896	0
	(ii)	0	0	0	0	0	0	0
James Tutton	(i)	220,158	16,499	53,761	17,800	12,503	320,721	0
	(ii)	0	0	0	0	0	0	0
William Hennessey III	(i)	0	0	0	0	0	0	0
	(ii)	132,990	95,312	52,242	32,357	14,990	327,891	0

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 HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

Identifier	Return Reference	Explanation
FORM 990, PART V, QUESTION 1A		VENDORS FOR THE FILING ORGANIZATION ARE PAID BY MERCY HEALTH (EIN 43-1423050) AS SUCH, ALL REQUIRED FORM 1099 AND FORM 1096 REPORTING IS MADE FOR THE ENTIRE MERCY HEALTH Systen (WITH LIMITED EXCEPTIONS) UNDER THE MERCY HEALTH EIN FORM 990, PART VI, QUESTION 6, 7A, & 7B DESCR OF CLSES OF MMBRS OR STCKHDS, DEC REQ APPR & TYPE OF VOTING RGTS THE FILING ORGANIZATION HAS A SOLE CORPORATE MEMBER, MERCY HEALTH HOT SPRINGS COMMUNITIES THE FOLLOWING CORPORATE POWERS AND RESPONSIBILITIES SHALL BE RESERVED SOLELY TO THE CORPORATE MEMBER - TO APPROVE THE MISSION AND ESTABLISH THE PHILOSOPHY ACCORDING TO WHICH THE CORPORATION, AND ALL ORGANIZATIONS CONTROLLED BY THE CORPORATION, SHALL OPERATE, - TO ADOPT OR AMEND THE ARTICLES OF INCORPORATION AND BYLAWS, AND TO AMEND THE ORGANIZATIONAL AND GOVERNANCE DOCUMENTS OF EACH ORGANIZATION CONTROLLED BY THE CORPORATION, - TO APPOINT AND REMOVE, WITH OR WITHOUT CAUSE, MEMBERS OF THE BOARD, - THROUGH THE SOLE ACTION OF THE PRESIDENT OF THE CORPORATE MEMBER, TO APPOINT AND REMOVE, WITH OR WITHOUT CAUSE, THE CHIEF EXECUTIVE OFFICER OF THE SSU WHO SHALL SERVE AS THE PRESIDENT OF THE CORPORATION, - TO APPROVE OR AMEND THE STRATEGIC, LONG RANGE, AND HEALTH MANPOWER DEVELOPMENT PLANS, GOALS, AND OBJECTIVES OF THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION, - TO APPROVE OR AMEND THE OPERATING, CAPITAL, AND CONSTRUCTION BUDGETS FOR THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION, AND CHANGES IN THE BUDGETS IN EXCESS OF AN AMOUNT ESTABLISHED FROM TIME TO TIME BY THE CORPORATE MEMBER, - TO ASSIGN, TRANSFER, LEASE OR SELL ANY OF THE ASSETS OF THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION IN EXCESS OF AN AMOUNT ESTABLISHED FROM TIME TO TIME BY THE CORPORATE MEMBER, - TO ENCUMBER ANY OR ALL OF THE ASSETS OF THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION, - TO AUTHORIZE AND APPROVE THE INCURRENCE OF DEBT BY THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION (OTHER THAN DEBT INCURRED FOR THE ACQUISITION OF GOODS THAT ARE ACQUIRED IN THE ORDINARY COURSE OF BUSINESS) AND TO GRANT ANY SECURITY INTERESTS, PLACE ANY ENCUMBRANCES, ENTER INTO ANY COVENANTS, AND EXECUTE ANY DOCUMENTS AND TAKE ANY ACTIONS NECESSARY OR APPROPRIATE IN CONNECTION WITH THE INCURRENCE OF SUCH DEBT, - TO MERGE, DISSOLVE, OR ABANDON THE CORPORATION OR ANY ORGANIZATION CONTROLLED BY THE CORPORATION, AND - TO APPROVE THE CREATION, OWNERSHIP OR ACQUISITION OF, OR AFFILIATION WITH, ANY OTHER ORGANIZATION CONTROLLED BY THE CORPORATION FORM 990, PART VI, QUESTION 11B DESCRIBE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990 THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM, USING INFORMATION PROVIDED BY THE FILING ORGANIZATION A DRAFT FORM 990 IS REVIEWED BY MERCY HEALTH'S TAX DEPARTMENT, TO ENSURE ACCURACY AND CONSISTENCY WITH OTHER RELATED ORGANIZATIONS' FORM 990 AFTER QUESTIONS ARISING FROM THE REVIEW ARE ADDRESSED AND INCORPORATED INTO THE FORM 990, A REVISED DRAFT IS PROVIDED TO THE FILING ORGANIZATION'S LEADERSHIP TEAM IT IS THEN SIGNED AND FILED WITH THE IRS FORM 990, PART VI, QUESTION 12C DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST OFFICERS, DIRECTORS, KEY EMPLOYEES AND OTHER DISQUALIFIED PERSONS ARE REQUIRED TO COMPLETE A CONFLICT OF INTEREST QUESTIONNAIRE ANNUALLY AND DID SO IN THE NORMAL COURSE FOR THE YEAR ENDED JUNE 30, 2012 THIS PROCESS IS ADMINISTERED AT THE MERCY HEALTH LEVEL BY MERCY'S BUSINESS RISK (INTERNAL AUDIT) DEPARTMENT THE QUESTIONNAIRES ARE REVIEWED WITH LEADERSHIP AT THE LOCAL LEVEL AND POTENTIAL CONFLICTS DISCUSSED AND RESOLVED THE CONFLICTS AND THEIR RESPECTIVE RESOLUTIONS ARE SHARED AT THE MERCY LEVEL WITH A TEAM INCLUDING MERCY'S CHIEF FINANCIAL OFFICER, CHIEF COMPLIANCE OFFICER AND OTHER MEMBERS OF FINANCE, LEGAL AND HR SUMMARY RESULTS ARE REVIEWED WITH MERCY'S FINANCE, AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF DIRECTORS FORM 990, PART VI, QUESTION 15A & 15B OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN FOR THOSE CLASSIFIED AS OFFICERS (AND THUS DISQUALIFIED PERSONS), THE ORGANIZATION RELIES UPON MERCY HEALTH, WHICH USES THE FOLLOWING TO ESTABLISH COMPENSATION EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, ENGAGEMENT OF AN INDEPENDENT COMPENSATION CONSULTANT, AND REVIEW/APPROVAL OF COMPENSATION BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF MERCY HEALTH FOR THOSE CLASSIFIED AS KEY EMPLOYEES, THE ORGANIZATION USES THE FOLLOWING TO ESTABLISH THE COMPENSATION EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, AND REVIEW/APPROVAL OF EXECUTIVE MANAGEMENT COMPENSATION REVIEWS ARE COMPLETED ON AN ANNUAL BASIS, AND A REVIEW WAS COMPLETED DURING THE REPORTING YEAR FORM 990, PART VI, QUESTION 19 AVAIL GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC Governing documents, conflict of interest policy, and financial statements are made available upon request but are not published publicly FORM 990, PART VII, SECTION A, COLUMN B AVERAGE HOURS PER WEEK SEVERAL INDIVIDUALS LISTED IN PART VII ARE DISCLOSED AS TRUSTEES, DIRECTORS, OFFICERS, AND KEY EMPLOYEES ON MULTIPLE FORMS 990 OF ENTITIES INCLUDED WITHIN MERCY HEALTH THE AVERAGE HOURS PER WEEK DISCLOSED IN PART VII IS AN ESTIMATE OF THE HOURS PER WEEK THAT THE LISTED INDIVIDUAL SPENDS ON BOTH THE FILING ORGANIZATION AND ALL RELATED ORGANIZATIONS FORM 990, PART XI, LINE 5 RECONCILIATION OF NET ASSETS Prior Period Adjustment = ($101,570) TOTAL OTHER CHANGES IN NET ASSETS = ($101,570) FORM 990, PART XII, QUESTION 2C THE FILING ORGANIZATION'S FINANCIAL STATEMENTS WERE INCLUDED IN MERCY HEALTH AND SUBSIDIARIES ANNUAL FINANCIAL STATEMENT AUDIT MERCY HEALTH AND SUBSIDIARIES RECEIVED AN UNQUALIFIED OPINION FROM THE EXTERNAL AUDITORS FOR FISCAL 2012 (THE TAX YEAR CURRENTLY BEING REPORTED) HOWEVER, NO SEPARATE AUDIT OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS OF THE FILING ORGANIZATION THE ULTIMATE RESPONSIBILITY FOR OVERSIGHT OF THE FINANCIAL STATEMENT AUDIT AND SELECTION OF THE EXTERNAL AUDITOR LIES WITH THE FINANCE, AUDIT, AND COMPLIANCE COMMITTEE OF MERCY HEALTH BOARD OF DIRECTORS AUDIT RESULTS ARE COMMUNICATED TO THIS COMMITTEE

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 HOSPITAL HOT SPRINGS

Employer identification number
71-0236913

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
(1) St Joseph's PET Center LLC 300 Werner Street Hot Springs, AR 72901 47-0886845	PET/MRI CTR	AR	0	0	MHHS

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
See Additional Data Table							

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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Merc Ambu Surg CTR 7301 Rogers Av Fort Smith, AR 72903 71-0827721	AMBUL SURG CENTER	AR	NA									
(2) RES OPT & INNOV 645 Maryville Centre Dr 200 St Louis, MO 63141 46-0468368	CENTRAL DIST	MO	NA									
(3) SO OK DIAG CTR 1011 14TH Ave NW Ardmore, OK 73401 43-1971232	MRI Services	OK	NA									
(4) Fort Smith EMS 1701 S Greenwood Fort Smith, AR 72901 71-0416615	Emergency Med	AR	NA									
(5) St Ed Mer Med MOB 7301 Rogers Ave Fort Smith, AR 72903 71-0554050	Office Building	AR	NA									

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
See Additional Data Table							

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

			Yes	No
	Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1	During the tax year, did the orgranization 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	**1a**		**No**
b	Gift, grant, or capital contribution to related organization(s)	**1b**		**No**
c	Gift, grant, or capital contribution from related organization(s)	**1c**		**No**
d	Loans or loan guarantees to or for related organization(s)	**1d**		**No**
e	Loans or loan guarantees by related organization(s)	**1e**		**No**
f	Sale of assets to related organization(s)	**1f**		**No**
g	Purchase of assets from related organization(s)	**1g**		**No**
h	Exchange of assets with related organization(s)	**1h**		**No**
i	Lease of facilities, equipment, or other assets to related organization(s)	**1i**		**No**
j	Lease of facilities, equipment, or other assets from related organization(s)	**1j**		**No**
k	Performance of services or membership or fundraising solicitations for related organization(s)	**1k**		**No**
l	Performance of services or membership or fundraising solicitations by related organization(s)	**1l**		**No**
m	Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	**1m**		**No**
n	Sharing of paid employees with related organization(s)	**1n**	Yes	
o	Reimbursement paid to related organization(s) for expenses	**1o**	Yes	
p	Reimbursement paid by related organization(s) for expenses	**1p**	Yes	
q	Other transfer of cash or property to related organization(s)	**1q**		**No**
r	Other transfer of cash or property from related organization(s)	**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)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE R, PART V		LAWSON ERP SOFTWARE IS THE PRIMARY ACCOUNTING SOFTWARE USED BY MERCY HEALTH AND SUBSIDIARIES THE MAJORITY OF THE INTERCOMPANY/RELATED ORGANIZATION TRANSACTIONS ARE PROCESSED THROUGH LAWSON VIA INTERCOMPANY JOURNAL ENTRIES WITH THE CURRENT DESIGN OF THE ERP SYSTEM, THERE ARE VARIOUS LIMITATIONS ON THE RELATED ORGANIZATION INFORMATION THAT CAN BE EXTRACTED FROM LAWSON DUE TO THESE LIMITATIONS, MOST OF THE RELATED ORGANIZATION ACTIVITY FOR THE FILING ORGANIZATION HAS BEEN CLASSIFIED ON SCHEDULE R, PART V, IN LINES O AND P EXTRACTED FROM LAWSON DUE TO THESE LIMITATIONS, MOST OF THE RELATED ORGANIZATION ACTIVITY FOR THE FILING ORGANIZATION HAS BEEN CLASSIFIED ON SCHEDULE R, PART V, IN LINES O AND P

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 71-0236913
Name: MERCY HOSPITAL HOT SPRINGS

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
Advance Care Hospital 300 Werner Street Hot Springs, AR 71913 71-0816634	Hospital	AR	501(C)(3)	3	Mercy Health	Yes	
Casa de Misericordia 1602 McClelland Street Laredo, TX 78044 74-2912461	Shelter	TX	501(C)(3)	7	MM Laredo	Yes	
Laredo Medical Group 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 74-2764726	Inactive	TX	501(C)(3)	9	MHS-TX	Yes	
McAuley Portfolio Management Company 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 26-1708048	Port Mgmt	MO	501(C)(3)	11b	Mercy Health	Yes	
Mercy Clinic East Communites 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-1771217	Phys Group	MO	501(C)(3)	9	MHEC	Yes	
Mercy Clinic Fort Smith Communitites 7301 Rogers Avenue Fort Smith, AR 72917 26-1318597	Phys Clinic	AR	501(C)(3)	9	MHFSC	Yes	
Mercy Clinic Hot Springs Communitites 1 Mercy Lane Hot Springs, AR 71913 26-1125131	Phys Clinic	AR	501(C)(3)	9	MHHSC	Yes	
Mercy Clinic Oklahoma Communities 4300 W Memorial Road Oklahoma City, OK 73120 27-0473057	Phys Group	OK	501(C)(3)	9	MHOC	Yes	
Mercy Clinic Springfield Communities 1965 Fremont Street Ste 2950 Springfield, MO 65804 43-1560263	Phys Group	MO	501(C)(3)	9	MHSC	Yes	
Mercy Family Center 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 72-1069468	counseling	MO	501(C)(3)	7	Mercy Health	Yes	
Mercy Foundation for Health Innovation 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 20-0901499	Foundation	MO	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-1423050	Sup Hlth Sys	MO	501(C)(3)	1	NA		No
Mercy Health East Communities 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-1718408	Hlth System	MO	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health Fort Smith Communities 7301 Rogers Avenue Fort Smith, AR 72917 26-1318515	Holding Co	AR	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health Foundation Ardmore 1011 14th Avenue NW Ardmore, OK 73401 71-0962525	Foundation	OK	501(C)(3)	11a	MH Ardmore	Yes	
Mercy Health Foundation Berryville 214 Carter Street Berryville, AR 72616 71-0759301	Foundation	AR	501(C)(3)	11a	MH Berryvill	Yes	
Mercy Health Foundation Fort Scott 401 Woodland Hills Blvd Fort Scott, KS 66701 48-1077073	Foundation	KS	501(C)(3)	11c	Mercy KS Com	Yes	
Mercy Health Foundation Hot Springs 300 Werner Street Hot Springs, AR 71913 71-0804718	Foundation	AR	501(C)(3)	11b	MHHS	Yes	
Mercy Health Foundation Independence 800 W Myrtle Independence, KS 67301 48-1079981	Foundation	KS	501(C)(3)	11a	Mercy KS Com	Yes	
Mercy Health Foundation Joplin 2817 St Johns Blvd Joplin, MO 64804 27-0906136	Foundation	MO	501(C)(3)	11a	MHSMKC	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Mercy Health Foundation NW Arkansas 2710 Rife Medical Lane Rogers, AR 72758 71-0601687	Foundation	AR	501(C)(3)	11c	MH Rogers	Yes	
Mercy Health Foundation OF Oklahoma 4300 W Memorial Road Oklahoma City, OK 73120 45-4732301	Foundation	OK	501(C)(3)	11a	MHOC	Yes	
Mercy Health Foundation OK City 4300 W Memorial Road Oklahoma City, OK 73120 73-1593024	Foundation	OK	501(C)(3)	11a	MHOC	Yes	
Mercy Health Foundation Springfield 1235 E Cherokee Street Springfield, MO 65804 32-0195818	Foundation	MO	501(C)(3)	11b	MHSC	Yes	
Mercy Health Foundation St Louis 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 56-2410020	Foundation	MO	501(C)(3)	11b	MHEC	Yes	
Mercy Health Foundation Washington 901 E Fifth Street Washington, MO 63090 56-2410022	Foundation	MO	501(C)(3)	11b	MHEC	Yes	
Mercy Health Hot Springs Communities 300 Werner Street Hot Springs, AR 71913 26-1125064	Holding Co	AR	501(C)(3)	11b	Mercy Health		No
Mercy Health NW Arkansas Communities 2710 Rife Medical Drive Rogers, AR 72758 62-1684203	Phys Group	AR	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health Oklahoma Communities 4300 W Memorial Road Oklahoma City, OK 73120 73-1453048	Holding co	OK	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health Springfield Communitites 1235 E Cherokee Street Springfield, MO 65804 43-1856028	Holding Co	MO	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health SW MOKS Communitites 2817 St Johns Blvd Joplin, MO 64804 30-0584463	Hlth System	MO	501(C)(3)	11b	Mercy Health	Yes	
Mercy Health System of Texas Inc 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 74-2764727	Inactive	TX	501(C)(3)	11b	Mercy Health	Yes	
Mercy Home Health Berryville 804 W Freeman Suite 4 Berryville, AR 72616 87-0781247	Home Health	AR	501(C)(3)	11c	MH Sprngfld	Yes	
Mercy Hospital Ardmore 1011 14th Avenue NW Ardmore, OK 73401 73-1500629	Hospital	OK	501(C)(3)	3	MHOC	Yes	
Mercy Hospital Aurora 500 Porter Avenue Aurora, MO 65605 43-1936696	Hospital	MO	501(C)(3)	3	MHSC	Yes	
Mercy Hospital Berryville 214 Carter Street Berryville, AR 72616 71-0759299	Hospital	AR	501(C)(3)	3	MHSC	Yes	
Mercy Hospital Carthage 3125 Dr Russell Smith Way Carthage, MO 64836 45-3808607	Hospital	MO	501(C)(3)	3	MHSMKC	Yes	
Mercy Hospital Cassville 94 Main Street Cassville, MO 65625 43-1936699	Hospital	MO	501(C)(3)	3	MHSC	Yes	
Mercy Hospital Columbus 220 Pennsylvania Avenue Columbus, KS 66725 27-0842031	Hospital	MO	501(C)(3)	3	MHSMKC	Yes	
Mercy Hospital El Reno 2115 Parkview Drive El Reno, OK 73036 27-2716065	Hospital	OK	501(C)(3)	3	MHOC	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
Mercy Hospital Fort Smith 7301 Rogers Avenue Fort Smith, AR 72917 71-0240352	Hospital	AR	501(C) (3)	3	MHFSC	Yes	
Mercy Hospital Healdton 918 South 8th Street Healdton, OK 73438 26-3173902	Hospital	OK	501(C) (3)	3	MH Ardmore	Yes	
Mercy Hospital Joplin 2817 St Johns Blvd Joplin, MO 64804 27-0814858	Hospital	MO	501(C) (3)	3	MHSMKC	Yes	
Mercy Hospital Lebanon 100 Hospital Drive Lebanon, MO 65536 43-1767432	Hospital	MO	501(C) (3)	3	MHSC	Yes	
Mercy Hospital Logan County Inc 200 South Academy Guthrie, OK 73044 45-2998842	Hospital	OK	501(C) (3)	3	MHOC	Yes	
Mercy Hospital of Laredo 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 74-1189682	Inactive	TX	501(C) (3)	3	MHS-TX	Yes	
Mercy Hospital Oklahoma City 4300 W Memorial Road Oklahoma City, OK 73120 73-0579285	Hospital	OK	501(C) (3)	3	MHOC	Yes	
Mercy Hospital Ozark 801 W River Street Ozark, AR 72949 71-0689680	Hospital	AR	501(C) (3)	3	MHFS	Yes	
Mercy Hospital Paris 500 E Academy Paris, AR 72855 71-0655753	Hospital	AR	501(C) (3)	3	MHFS	Yes	
Mercy Hospital Rogers 2710 Rife Medical Lane Rogers, AR 72758 71-0294390	Hospital	AR	501(C) (3)	3	MHNWAC	Yes	
Mercy Hospital Springfield 1235 E Cherokee Street Springfield, MO 65804 44-0552485	Hospital	MO	501(C) (3)	3	MHSC	Yes	
Mercy Hospital Tishomingo 1000 South Byrd Tishomingo, OK 73460 27-4433830	Hospital	OK	501(C) (3)	3	MH Ardmore	Yes	
Mercy Hospital Waldron 1341 W 6th Street Waldron, AR 72958 71-0557895	Hospital	AR	501(C) (3)	3	MHFS	Yes	
Mercy Hospital Watonga Inc 500 Clarence Nash Blvd Watonga, OK 73772 45-5199762	Hospital	OK	501(C) (3)	3	MHOC	Yes	
Mercy Hospitals East Communities 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 43-0653493	Hospital	MO	501(C) (3)	3	MHEC	Yes	
Mercy Kansas Communities Inc 401 Woodland Hills Blvd Ft Scott, KS 66701 48-0956045	Hospital	KS	501(C) (3)	3	MHSMKC	Yes	
Mercy Medical Research Institute 1235 E Cherokee Street Springfield, MO 65804 87-0796305	Research	MO	501(C) (3)	4	MHSC	Yes	
Mercy Ministries of Laredo 2500 Zacatecas Laredo, TX 78046 20-0198462	outreach	TX	501(C) (3)	7	Mercy Health	Yes	
Mercy St Francis Hospital 100 W Highway 60 Mountain View, MO 65548 44-0607149	Hospital	MO	501(C) (3)	3	MHSC	Yes	
Mercy Support Services 14528 S OUTER FORTY STE 100 CHESTERFIELD, MO 63017 43-1677952	Inactive	MO	501(C) (3)	11c	MHEC	Yes	

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
MHM SUPPORT SERVICES 14528 S OUTER FORTY STE 100 CHESTERFIELD, MO 63017 20-2553101	Hlth System	MO	501(C)(3)	11B	MERCY HEALTH	Yes	
Mission Clinical Services 300 Werner Street Hot Springs, AR 71913 13-4239691	nursing home	AR	501(C)(3)	9	MHHSC	Yes	
St Edward Mercy Foundation PO Box 17000 Fort Smith, AR 72917 23-7330425	Foundation	AR	501(C)(3)	7	MHFS	Yes	
St John's Children's Hospital Inc 1235 E Cherokee Street Springfield, MO 65804	Inactive	MO	501(C)(3)	3	MHSC	Yes	
St Mary's Hospital of Enid Oklahoma 14528 S Outer Forty Ste 100 Chesterfield, MO 63017 73-0614655	Inactive	OK	501(C)(3)	3	MHOC	Yes	
The Sister M Cornelia Blasko Foundation 100 W Highway 60 Mountain View, MO 65548 43-1873914	Foundation	MO	501(C)(3)	11a	MSFH	Yes	
Unity Ambulatory Care 14528 S OUTER FORTY STE 100 CHESTERFIELD, MO 63017 43-1861745	Inactive	MO	501(C)(3)	11c	MHEC	Yes	

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
Frontenac Properties Inc 14528 S Outer Forty Suite 100 Chesterfield, MO 63017 52-1914421	HOLDING COMP	DE	NA	C-Corp			
Inveno Health Inc 1235 E Cherokee Street Springfield, MO 65804 26-4509571	IT SERVICES	MO	NA	C-Corp			
Mercy Community Services Inc 401 Woodland Hills Blvd Fort Scott, KS 66701 48-1078101	RETAIL PHARMACY	KS	NA	C-Corp			
Mercy Health Center Condominium Inc 4300 W Memorial Rd Oklahoma City, OK 73120 68-0640970	REAL ESTATE	OK	NA	C-Corp			
Mercy Health Network of the Southern Reg 1011 14th Avenue NW Ardmore, OK 73401 73-1580607	HEALTH CARE	OK	NA	C-Corp			
Mercy Health Network Inc 4300 W Memorial Road Oklahoma City, OK 73120 73-1381689	HEALTH CARE	OK	NA	C-Corp			
Mercy Managed Care Corporation 4300 W Memorial Road Oklahoma City, OK 73120 73-1441665	HOLDING COMP	OK	NA	C-Corp			
UH L Corp Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 74-2499535	HOLDING COMP	MO	NA	C-Corp			
Unity Support Services Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 43-1797042	PRACTICE MGT	MO	NA	C-Corp			

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 Clinic Hot Springs Communities	N	276,952	FMV
(2)	Mercy Clinic Hot Springs Communities	O	968,215	FMV
(3)	Mercy Clinic Hot Springs Communities	P	442,384	FMV
(4)	Mercy Hospital Fort Smith	O	56,080	FMV
(5)	Mercy Hospitals East Communities	O	583,908	FMV
(6)	MHM Support Services	P	5,510,728	FMV
(7)	Resource Optimization & Innovation LLC	O	6,375,606	FMV

Consolidated Financial Statements and Supplementary Information

Mercy Health
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

Mercy Health

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

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Report of Independent Auditors

The Board of Directors
Mercy Health

We have audited the accompanying consolidated balance sheets of Mercy Health (the Health System) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended These consolidated financial statements are the responsibility of the Health System'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 Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement We were not engaged to perform an audit of the Health System's internal control over financial reporting Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mercy Health at June 30, 2012 and 2011, and the consolidated results of their operations, changes in net assets, and their cash flows for the years then ended, in conformity with U S generally accepted accounting principles

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2011, Mercy Health adopted authoritative guidance issued by the Financial Accounting Standards Board related to presentation and disclosure of patient service revenues and provisions for uncollectible receivables

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating balance sheet, statement of operations, and statement of changes in net assets are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst + Young LLP

September 24, 2012

Mercy Health

Consolidated Balance Sheets

	June 30 2012	June 30 2011
	(In Thousands)	
Assets		
Current assets		
Cash and cash equivalents	**$ 337,324**	$ 195,419
Accounts receivable, net of allowance for uncollectible receivables of $171,015 in 2012 and $187,756 in 2011	**506,351**	459,733
Inventories	**78,717**	69,389
Short-term investments	**26,206**	26,958
Other current assets	**282,204**	155,758
Total current assets	**1,230,802**	907,257
Investments	**1,338,053**	1,350,133
Property and equipment, net	**2,281,591**	2,080,125
Notes receivable	**12,961**	12,569
Other assets	**320,178**	280,924
Total assets	**$ 5,183,585**	$ 4,631,008
Liabilities and net assets		
Current liabilities		
Current maturities of long-term obligations	**$ 21,218**	$ 19,380
Accounts payable	**136,273**	110,135
Accrued payroll and related liabilities	**318,411**	287,389
Accrued liabilities and other	**338,290**	201,399
Total current liabilities	**814,192**	618,303
Insurance reserves and other liabilities	**400,804**	366,504
Pension liabilities	**362,324**	245,170
Long-term obligations, less current maturities	**810,204**	796,560
Total liabilities	**2,387,524**	2,026,537
Net assets		
Unrestricted	**2,724,806**	2,534,232
Restricted	**71,255**	70,239
Total net assets	**2,796,061**	2,604,471
Total liabilities and net assets	**$ 5,183,585**	$ 4,631,008

See accompanying notes.

Mercy Health

Consolidated Statements of Operations

	Year Ended June 30 2012	2011
	(In Thousands)	
Operating revenues		
Patient service revenues (net of contractuals and discounts)	$ **3,879,408**	$ 3,585,608
Provision for uncollectible receivables	**(268,365)**	(249,050)
Net patient service revenues	**3,611,043**	3,336,558
Capitation revenues	**258,978**	235,928
Other operating revenues	**242,622**	221,752
Total operating revenues	**4,112,643**	3,794,238
Operating expenses		
Salaries and benefits	**2,328,935**	2,146,871
Supplies and other	**1,264,543**	1,188,393
Medical claims expense	**120,819**	105,734
Interest	**11,808**	6,183
Depreciation and amortization	**264,125**	253,407
Total operating expenses	**3,990,230**	3,700,588
Operating income before Joplin operations and related insurance recovery (Note 3)	**122,413**	93,650
Joplin insurance proceeds	**388,100**	50,000
Joplin operating revenues	**95,577**	194,159
Joplin operating expenses	**(247,339)**	(255,015)
Total operating income	**358,751**	82,794
Nonoperating (losses) gains		
Investment returns, net	**(8,301)**	171,761
Realized and unrealized losses on interest rate swaps, net	**(49,819)**	(259)
Other, net	**(2,001)**	(2,850)
Total nonoperating (losses) gains, net	**(60,121)**	168,652
Excess of revenues over expenses	**298,630**	251,446
Other changes in unrestricted net assets		
Pension liability adjustments	**(121,025)**	12,532
Gain from discontinued operations	**8,435**	2,447
Net assets released from restrictions for property acquisitions	**3,131**	10,139
Other	**1,403**	5,752
Increase in unrestricted net assets	$ **190,574**	$ 282,316

See accompanying notes.

Mercy Health

Consolidated Statements of Changes in Net Assets

	Year Ended June 30 2012	2011
	(In Thousands)	
Increase in unrestricted net assets	**$ 190,574**	$ 282,316
Restricted net assets		
Pledges, bequests, and gifts for specific purposes	**16,069**	16,694
Investment returns, net	**146**	5,890
Net assets released from restrictions	**(15,015)**	(23,344)
Other	**(184)**	(426)
Increase (decrease) in restricted net assets	**1,016**	(1,186)
Increase in net assets	**191,590**	281,130
Net assets at beginning of year	**2,604,471**	2,323,341
Net assets at end of year	**$ 2,796,061**	$ 2,604,471

See accompanying notes.

Mercy Health

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2012	2011
	(In Thousands)	
Operating activities		
Change in net assets	$ **191,590**	$ 281,130
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net gain from discontinued operations	**(8,435)**	(2,447)
Pension liability adjustments	**121,025**	(12,532)
Pledges, bequests, and gifts for specific purposes	**(16,069)**	(16,694)
Unrealized loss (gain) on interest rate swap	**37,866**	(2,112)
Depreciation and amortization	**282,818**	238,332
Provision for uncollectible receivables	**274,416**	264,888
Insurance recoveries	**(388,100)**	(26,000)
Net (gain) loss on disposal of property	**(488)**	318
Changes in assets and liabilities		
Accounts receivable	**(307,668)**	(270,861)
Investments classified as trading	**64,864**	78,547
Inventories and other current assets	**(22,170)**	(25,968)
Accounts payable	**23,243**	(40,889)
Accrued liabilities and other	**58,850**	20,273
Insurance reserves and other liabilities	**(7,663)**	(2,398)
Net cash provided by operating activities	**304,079**	483,587
Investing activities		
Additions to property and equipment, net	**(428,434)**	(203,168)
Insurance recoveries	**388,100**	50,000
Net change in notes receivable and other assets	**(28,295)**	(34,305)
Net increase in alternative investments	**(59,260)**	(259,049)
Business acquisitions	**(30,295)**	(70,809)
Net cash used in investing activities	**(158,184)**	(517,331)

Mercy Health

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30 2012	2011
	(In Thousands)	
Financing activities		
Proceeds from issuance of long-term debt, net of original issue discount and financing costs	$ **376,425**	$ –
Principal payments on long-term obligations	**(404,919)**	(17,065)
Pledges, bequests, and gifts for specific purposes	**16,069**	16,694
Net cash used in financing activities	**(12,425)**	(371)
Net increase (decrease) in cash and cash equivalents from continuing operations	**133,470**	(34,115)
Cash flows from discontinued operations		
Net cash provided by assets of discontinued operations held for sale – operating activities	**4,819**	12,785
Net cash provided by assets of discontinued operations held for sale – investing activities	**3,616**	109,242
Net cash used by assets of discontinued operations held for sale – financing activities	**–**	(21,330)
Net increase in cash and cash equivalents from discontinued operations	**8,435**	100,697
Net increase in cash and cash equivalents	**141,905**	66,582
Cash and cash equivalents at beginning of year	**195,419**	128,837
Cash and cash equivalents at end of year	$ **337,324**	$ 195,419
Supplemental disclosures		
Cash paid for interest	$ **13,770**	$ 11,371
Assets acquired through capital leases	$ **43,976**	$ –

See accompanying notes

1. Organization

Mercy Health, formerly known as (f/k/a) the Sisters of Mercy Health System, changed its name in fiscal 2012 to Mercy Health (Mercy) in an effort to better serve its patients and communities, as well as to honor the health system's heritage

Mercy was incorporated in September 1986 and is the sole corporate member of various health care corporations Mercy is sponsored by Mercy Health Ministry, a public juridic person whose members include Sisters of Mercy and lay leaders Prior to sponsorship by Mercy Health Ministry, Mercy was sponsored by the Institute of the Sisters of Mercy of the Americas, Regional Community of St Louis, a religious order of the Roman Catholic Church (Sisters of Mercy)

Mercy is incorporated as a not-for-profit corporation under the laws of the state of Missouri and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code)

Mercy's ministry office (headquarters) is located in St Louis, Missouri Mercy and Subsidiaries (the Health System) comprise the following corporations and their subsidiaries

- Mercy Health Fort Smith Communities (f/k/a St Edward Mercy Health System, Inc), Fort Smith, Arkansas
- Mercy Health Hot Springs Communities (f/k/a St Joseph's Mercy Health System, Inc), Hot Springs, Arkansas
- Mercy Health Northwest Arkansas Communities (f/k/a Mercy Health System of Northwest Arkansas, Inc), Rogers, Arkansas
- Mercy Health East Communities (f/k/a St John's Mercy Health Care), St Louis, Missouri
- Mercy Health Springfield Communities (f/k/a St John's Health System, Inc), Springfield, Missouri

1. Organization (continued)

- Mercy Health Oklahoma Communities, Inc (f/k/a Mercy Health System, Inc), Oklahoma City and Ardmore, Oklahoma
- Mercy Ministries of Laredo, Laredo, Texas
- Mercy Health Southwest Missouri / Kansas Communities (f/k/a Mercy Health System-Joplin, Inc), Joplin, Missouri, and Independence and Fort Scott, Kansas

Each subsidiary above is a separately incorporated not-for-profit corporation and is tax-exempt pursuant to Section 501(c)(3) of the Code All significant intercompany transactions and balances have been eliminated in consolidation

Significant Acquisitions and Divestitures

Acquisitions

During fiscal 2012, several of the Health System's subsidiaries entered into asset purchase agreements to make certain acquisitions, including a hospital, physician practices, and other assets for approximately $35 4 million in cash During fiscal 2011, two of the Health System's subsidiaries entered into asset purchase agreements to acquire a hospital, physician practices, and other assets for approximately $70 8 million in cash and the assumption of a note payable of $8 0 million All of these transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities*

These acquisitions provided the Health System's patients with access to a greater number of specialists and enhanced the coordination of health services

The operating results of entities acquired are included in the Health System's consolidated financial statements from the date of acquisition Operating revenues of the entities acquired in fiscal 2012 included in the consolidated statement of operations was $55 4 million for the year ended June 30, 2012 Operating revenues of the entities acquired in fiscal 2011 included in the consolidated statement of operations was $36 9 million for the year June 30, 2011

(Tables in Thousands)

1. Organization (continued)

The Health System allocates the purchase price of the acquired businesses to assets acquired and liabilities assumed based on their fair values The excess of the purchase price over fair value of net assets acquired is recorded as goodwill The goodwill can be attributed to benefits that Mercy expects to realize from operating efficiencies and increased revenues

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed

	Fiscal 2012 Acquisitions	Fiscal 2011 Acquisitions
Assets acquired		
Cash	**$ 5,069**	$ –
Accounts receivable	**13,366**	–
Inventory, prepaid expenses, and other current assets	**2,620**	759
Property, plant, and equipment	**11,387**	71,437
Goodwill, identifiable intangibles, and other long-term assets	**11,106**	6,878
Total assets acquired	**43,548**	79,074
Liabilities assumed		
Accounts payable	**2,894**	–
Accrued liabilities	**5,290**	281
Note payable assumed	–	7,984
Total liabilities assumed	**8,184**	8,265
	$ 35,364	$ 70,809

Divestitures

Effective October 1, 2010 (fiscal 2011), Mercy sold Mercy Health Plans, Inc (MHP) for $112 2 million MHP, a for-profit corporation, was a health insurance organization that provided health maintenance organization (HMO) and preferred provider organization (PPO) insurance plans and health management services to subscribing employee groups and individuals in areas served by Mercy

1. Organization (continued)

The operations of MHP have been classified as discontinued operations in accordance with ASC Topic 205, *Discontinued Operations*, because the associated operations and cash flows have been eliminated from ongoing operations, and the Health System does not have continuing involvement in the operations of MHP For all periods presented, the operating results for these operations have been removed from continuing operations and presented separately as discontinued operations in the consolidated statements of operations The notes to the consolidated financial statements were adjusted to exclude the impact of discontinued operations

MHP's operating revenues were $156 5 million for the year ended June 30, 2011 MHP's results from operations consisted of income of $0 8 million for the year ended June 30, 2011

Included in discontinued operations for the year ended June 30, 2012, is $2 0 million related to final purchase price adjustments and $6 4 million related to sublease income on leased office space that had been vacated in 2011

For fiscal 2012 and 2011, the Health System had certain managed care and other contracts with the acquiring entity related to the sale of MHP, which generated continuing cash flows of approximately 6% of the Health System's total operating revenues

Letter of Intent

In April 2012, Mercy signed an agreement in principle to sell Mercy Health Hot Springs Communities to Capella Healthcare Inc – a private, for-profit system based in Franklin, Tennessee In August 2012, a definitive agreement was signed This transaction is subject to approval from the Roman Catholic Church and the Federal Trade Commission Due to the pending approvals from the Roman Catholic Church, the criteria for classifying the operations of Mercy Health Hot Springs Communities as discontinued operations has not yet been met in accordance with ASC Topic 205, *Discontinued Operations*

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified as investments, are considered cash equivalents The Health System routinely invests in money market mutual funds These funds generally invest in highly liquid U S government and agency obligations Financial instruments that potentially subject the Health System to concentrations of credit risk include the Health System's cash and cash equivalents The Health System places its cash and cash equivalents with institutions with high credit quality However, at certain times, such cash and cash equivalents are in excess of government-provided insurance limits

Inventories

Inventories, which consist principally of medical supplies and pharmaceuticals, are stated at the lower of cost or market Cost is determined principally using the average cost method

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of receipt

Depreciation is provided using the straight-line method over the estimated useful lives of land and leasehold improvements, buildings, and equipment The estimated useful lives are as follows land and leasehold improvements, 2 to 30 years, buildings, 3 to 40 years, and equipment, 2 to 20 years

Property and equipment under capital lease obligations are amortized using the straight-line method over the lease term or the estimated useful life of the leased asset, whichever period is shorter Such amortization is included with depreciation in the accompanying consolidated statements of operations and changes in net assets

2. Summary of Significant Accounting Policies (continued)

Asset Impairment

The Health System periodically evaluates the carrying value of its long-lived assets for impairment when indicators of impairment are identified These evaluations are primarily based on the estimated recoverability of the assets' carrying value based on undiscounted cash flows Impairment write-downs are recognized in operating income at the time the impairment is identified

Assets and Liabilities Held for Sale

A long-lived asset or disposal group of assets and liabilities that is expected to be sold, and for which it is probable that the sale will be completed within one year, is classified as held for sale For long-lived assets held for sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell

Other Assets

Other assets consist primarily of investment securities held under deferred compensation arrangements, land held for future development, fair value of interest rate swaps in asset positions, and investments in unconsolidated affiliates

Goodwill

The Health System records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed At June 30, 2012 and 2011, the Health System had goodwill of $43 0 million and $31 5 million, respectively The Health System annually reviews, as of January 1, the carrying value of goodwill for impairment In addition, a goodwill impairment assessment is performed if an event occurs or circumstances change that would make it more likely than not that the fair value of a reporting unit is below its carrying amount Management has determined that the Health System has seven reporting units at which fair value is measured If such circumstances suggest that the recorded amounts of any of these assets cannot be recovered, the carrying values of such assets are reduced to fair value If the carrying value of any of these assets is impaired, a material charge may be incurred to results of operations It was determined there were no goodwill impairments during 2012 or 2011

2. Summary of Significant Accounting Policies (continued)

Net Assets

The Health System's net assets and activities are classified into two classes, restricted and unrestricted, based on the existence or absence of donor-imposed restrictions Restricted net assets include temporarily restricted net assets (71% and 70% of restricted net assets at June 30, 2012 and 2011, respectively), whose use by the Health System has been limited by donors to a specific time period or for a particular purpose, and permanently restricted net assets (29% and 30% of restricted net assets at June 30, 2012 and 2011, respectively), which must be maintained by the Health System in perpetuity with the related investment income expendable to support the donor-designated purpose The general nature of the donor restrictions is to support the Health System's indigent care mission and health education programs and to assist with capital projects

Net Patient Service Revenues and Patient Accounts Receivable

Patient service revenues (net of contractual and discounts) are recorded during the period the health care services are provided and are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations Estimates of contractual allowances under managed care health plans are based upon the services provided, historical payment rates and the payment terms specified in the related contractual agreements Revenues related to uninsured patients have discounts applied in accordance with Mercy policy Net patient service revenue is reported net of provision for uncollectible receivables

Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet the Health System's charity care policy The provision for uncollectible receivables is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible receivables based upon the payor composition and aging of receivables as of the reporting date with consideration of the historical payment and write-off experience by payor category The results of these reviews are then used to make any modifications to the provision for uncollectible receivables to establish an appropriate allowance for uncollectible receivables After satisfaction of amounts due from insurance, the Health System follows established guidelines for placing past-due patient balances with collection agencies

2. Summary of Significant Accounting Policies (continued)

Retroactive third-party adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known Adjustments to revenue based on prior periods increased net patient service revenues by approximately $30 0 million and $14 0 million in 2012 and 2011, respectively, due to revised estimates consisting primarily of retroactive third-party adjustments for years that are subject to audits, reviews, and investigations Included in the $30 0 million recognized in 2012 is $16 6 million, which relates to the Medicare Rural Floor Budget Neutrality Act settlement (Settlement) This Settlement with Centers for Medicare and Medicaid Services involved approximately 2,200 hospitals nationwide and was made to resolve a challenge made by the plaintiff hospitals for underpayment of inpatient Medicare services dating back to 1999

Capitation Revenues and Medical Claims Expense

Certain Health System Subsidiaries have entered into various risk-based contracts with certain HMOs Under these arrangements, the Subsidiaries receive capitated payments based on the demographic characteristics of covered members in exchange for providing certain medical services to those members These payments are reflected as capitation revenues in the consolidated statements of operations The Subsidiaries recognize medical claims expense for services provided The medical claims expense represents claims paid, claims reported but not yet paid, and claims incurred but not reported (IBNR) The IBNR amount is estimated based upon prior experience modified for current trends The claims IBNR amount was $21 0 million and $20 8 million at June 30, 2012 and 2011, respectively, and was included in accrued liabilities and other in the consolidated balance sheets

2. Summary of Significant Accounting Policies (continued)

Electronic Health Record Incentive Program

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period ending in 2016 Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology Providers must demonstrate continued meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments

The Health System accounts for EHR incentive payments as other operating revenue The Health System utilizes a grant accounting model to recognize EHR incentive revenues and records incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that the respective eligible provider will meet the meaningful use objectives for the reporting period and that the grants will be received The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30 The Health System attested for meaningful use (both for eligible facilities and for integrated ambulatory physicians) and received incentive payments of approximately $42 0 million during the year ended June 30, 2012 The Health System believes that the eligible providers that met meaningful use objectives will continue to meet the objectives for the federal fiscal year ended September 30, 2012 Therefore, the Health System also recognized an additional $7 5 million based on its reasonable assurance of meeting year two EHR requirements Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit In addition, the Health System's compliance with the meaningful use criteria is subject to audit by the federal government

In addition, the Health System has an incentive program with its physicians whereby the Health System compensates eligible physicians if certain criteria are met The Health System expensed approximately $16 7 million for incentives paid to physicians for the year ended June 30, 2012 These amounts are included in salaries and benefits in the accompanying consolidated statements of operations The net amount reflected in the consolidated statements of operations for EHR incentive payments is $32 8 million for the year ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Services to the Community

In support of its mission, the Health System provides care to patients who personally bear a significant financial burden relative to their health care services and are deemed to be medically indigent The Health System classifies the resources utilized for the care of patients bearing a significant health care financial burden as compared to their resources as traditional charity care Traditional charity care includes the cost of services provided to persons who cannot afford health care because of the financial burden of the health care services and/or who are uninsured or underinsured Traditional charity care also includes services for which the patient may not participate in the charity care process but are otherwise deemed to meet the Health System's charity care policy

Because the Health System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as net patient service revenue The cost of traditional charity care was $126 8 million and $110 4 million in 2012 and 2011, respectively The Health System estimates cost of charity care using a calculated ratio of costs to charges by hospital and applies that ratio to the relevant gross charges respectively, less any payments received

Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Health System's benefit provided to the community since a portion of such services are reimbursed at amounts less than cost In addition, the Health System maintains community benefit programs designed to positively impact the health status of the communities served These services include various clinics and outreach programs (designed to deliver health care services to underserved communities), medical education and research activities, and direct cash and in-kind charitable contributions

2. Summary of Significant Accounting Policies (continued)

These community benefit programs also include the activities of Mercy Ministries of Laredo (MML), Mercy Caritas, Catherine's Fund, and Mercy Family Center (f/k/a Sisters of Mercy Ministries) that are administered by Mercy These programs finance charitable activities to help meet the needs of the poor, sick, and uneducated

Investments

Investments include assets set aside through resolution by the Board of Directors for future long-term purposes, including capital improvements and self insurance In addition, investments include amounts contributed by donors with stipulated restrictions These assets include investments in equity securities and debt securities, which are measured at fair value The cost of securities sold is based on the specific-identification method The Health System accounts for its ownership interest in alternative investments under the equity method Management has utilized the best available information for reported investment values, which in some instances are valuations as of an interim date

For purposes of recognizing investment returns as a component of excess of revenues over expenses, substantially all investments, other than alternative investments, are considered to be trading securities Prior to fiscal 2012, investment returns on assets held in the professional liability trust fund were reported as other operating revenues The professional liability trust fund was terminated as of June 30, 2011 (see Note 8), and thus, investment return is included as nonoperating gains (losses) in 2012 consistent with other Board-restricted assets Unrestricted investment returns, including alternative investments, are included in nonoperating gains (losses) in the consolidated statements of operations Investment returns arising from donor-restricted resources are reported as a direct increase in restricted net assets in the consolidated statements of changes in net assets, consistent with the donors' restrictions In addition, cash flows from the purchases and sales of marketable securities designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows

2. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

Derivative instruments are contracts between the Health System and a third party (counterparty) that provide for economic payments between the parties based on changes in some defined market security or index or combination thereof The Health System's derivative financial instruments are primarily interest rate swaps utilized as part of its debt management process The Health System recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value The Health System does not account for any of its interest rate swap agreements as hedges, and accordingly, realized and unrealized gains (losses) and net settlement payments are reflected as a component of nonoperating gains (losses) in the accompanying consolidated statements of operations

Pledges, Bequests, and Gifts for Specific Purposes

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received Gifts are recorded as an increase in restricted net assets if they are received with donor stipulations that limit the use of the assets Upon expenditure in accordance with a donor's restrictions and when the asset is placed in service, net assets restricted for capital acquisitions are reported as direct additions to unrestricted net assets, and assets restricted for operating purposes are reported as an increase in other operating revenues Donor-restricted contributions for operating purposes whose restrictions are met within the same year as received, and contributions received by donors without restrictions, are reflected as other operating revenues in the accompanying consolidated statements of operations

Unconditional promises to give, less an allowance for uncollectible amounts, are recorded as receivables in the year made Net pledges receivable of $3 1 million and $7 9 million were included in other current assets and other assets, respectively, at June 30, 2012 Net pledges receivable of $3 3 million and $8 2 million were included in other current assets and other assets, respectively, at June 30, 2011

2. Summary of Significant Accounting Policies (continued)

Functional Classification of Expenses

The Health System provides general health care services to residents within communities served, including acute inpatient, subacute inpatient, outpatient, ambulatory, long-term, and home care, as well as related general and administrative services

The Health System does not present expense information by functional classification because its resources and activities are primarily related to providing health care services Furthermore, since the Health System receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities

Operating Indicator

The Health System's operating indicator (operating income before Joplin operations and related insurance recovery) includes all unrestricted revenue, gains and other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period The operating indicator excludes operating revenues, expenses and insurance proceeds related to Joplin, nonoperating gains and losses, pension liability adjustments, gain from discontinued operations, net assets released from restrictions for property acquisitions, and other

Performance Indicator

The Health System's performance indicator (excess of revenues over expenses) includes all changes in unrestricted net assets other than pension liability adjustments, gain from discontinued operations, net assets released from restrictions for property acquisitions, and other

2. Summary of Significant Accounting Policies (continued)

Operating and Nonoperating Gains (Losses)

The Health System's primary mission is to meet the health care needs in its market areas through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, physician services, and other health care services Activities directly associated with the furtherance of this purpose are considered to be operating activities Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating Nonoperating activities include net investment returns and net realized and unrealized gains (losses) on interest rate swaps

Use of Estimates

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

Accounting Pronouncements Adopted

Effective for the year ended June 30, 2012, the Health System adopted Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs

Effective for the year ended June 30, 2012, the Health System adopted ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in this ASU state that a health care entity may not net insurance recoveries against related claim liabilities In addition, the amount of the claim liability must be determined without consideration of insurance recoveries The adoption of this standard did not have a material impact on the Health System's consolidated financial position and results of operations

2. Summary of Significant Accounting Policies (continued)

Effective for the year ended June 30, 2012, the Health System adopted ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Entities* ASU 2011-07 requires health care entities to change the presentation of their statement of operations by reclassifying the provision for uncollectible receivables associated with patient service revenue from an operating expense to a deduction from patient services revenues (net of contractual allowances and discounts) In addition, enhanced disclosures are required for the entity's revenue recognition policies and assessing bad debts The standard also requires disclosure of patient service revenue by major payor source as well as qualitative and quantitative information about changes in the allowance for uncollectible accounts The provision for uncollectible receivables associated with patient service revenue has been reclassified from an operating expense to a deduction from patient service revenues, and the prior year has been reclassified to conform to this presentation (See the consolidated statements of operations and Note 4)

3. Joplin Operations and Related Insurance Recovery

An EF-5 tornado hit the city of Joplin on May 22, 2011 Mercy has an acute care hospital and several medical office buildings in Joplin As a result of the tornado, the acute care hospital was completely destroyed and several of the medical office buildings suffered significant physical damage The operations of Joplin were expected to be approximately 5% of the Health System's consolidated net patient service revenues in fiscal 2011 The Health System has continued to provide health care services in a temporary facility, but in a diminished capacity

For the year ended June 30, 2011, management recorded a $16 1 million impairment loss equal to the book value of the buildings and equipment affected by the tornado In addition, management recorded a $6 0 million impairment loss for inventory destroyed

The Health System has incurred additional costs related to cleanup and security of the premises and has continued to pay all employees These expenses are being recorded as incurred It is anticipated these costs will ultimately be significantly covered by insurance

(Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery (continued)

As of the date of the tornado, the Health System maintained insurance coverage of $750 million, which covered property damage, business interruption, and related costs, subject to a deductible During fiscal 2012, the Health System received $388 1 million in insurance proceeds from the insurance company related to this event, of which $125 0 million was for business interruption During fiscal 2011, the Health System received a $50 0 million initial payment from the insurance company related to this event These payments are reflected as Joplin insurance proceeds on the accompanying consolidated statements of operations Future cash payments under the policy will be recorded when received in operating income

Since the post-tornado operations of Joplin are not comparable to the pre-tornado operations and since Joplin's results are impacted significantly by insurance proceeds, management has determined that Joplin's financial results should be segregated in the attached consolidated statements of operations for both periods presented

	Year Ended June 30	
	2012	**2011**
Operating revenues		
Patient service revenues (net of contractuals and discounts)	**$ 91,442**	$ 203,965
Provision for uncollectible receivables	**(6,051)**	(15,838)
Net patient service revenues	**85,391**	188,127
Other operating revenues	**10,186**	6,032
Total operating revenues	**95,577**	194,159
Operating expenses		
Salaries and benefits	**84,050**	93,297
Supplies and other	**144,596**	143,727
Depreciation and amortization	**18,693**	17,991
Total operating expenses	**247,339**	255,015
Joplin insurance proceeds	**388,100**	50,000
Joplin operating income (loss)	**$ 236,338**	$ (10,856)

(Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables

The following is a summary of the Health System's patient service revenues, net of contractual allowances and discounts (before the provision for uncollectible receivables) by major payor Medicare and Medicaid managed plans are grouped with Medicare and Medicaid, respectively

	Year Ended June 30	
	2012	**2011**
Medicare	**$ 1,356,873**	$ 1,285,354
Medicaid	**424,509**	353,172
Managed care/other	**1,849,947**	1,659,375
Self-pay	**248,079**	287,707
Total	**$ 3,879,408**	$ 3,585,608

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Noncompliance with Medicare and Medicaid laws and regulations can make the Health System subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs

The Health System provides health care services through inpatient and outpatient care facilities located in several states The Health System grants credit to patients in return for health care services rendered to said patients, substantially all of whom are residents of the communities served The Health System does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e g , Medicare, Medicaid, HMOs, and commercial insurance policies) At June 30, 2012 and 2011, approximately 36% and 33%, respectively, of net accounts receivable were collectible from governmental payors (including Medicare and Medicaid), with approximately 50% for both 2012 and 2011 of net accounts receivable collectible from commercial insurance and managed care payors

(Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables (continued)

The allowance for uncollectible receivables was approximately $171 0 million and $187 8 million as of June 30, 2012 and 2011, respectively These balances as a percent of accounts receivable net of contractual allowances were approximately 25% and 29% as of June 30, 2012 and 2011, respectively The Health System's allowance for uncollectible receivables covered approximately 93% and 94% of self-pay patient receivables as of June 30, 2012 and 2011, respectively The Health System has experienced an increase in write-off trends related to bad debt and charity across the ministry driven by higher unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances Mercy reviews and updates its uninsured discount rate on an annual basis There have been no significant changes to the charity care policies for the year ended June 30, 2012

The following is a summary of the Health System's allowance for uncollectible receivables activity

	June 30, 2012
Balance at beginning of period	$ 187,756
Provision for uncollectible receivables	268,365
Provision for uncollectible receivables – Joplin	6,051
Accounts written off, net of recoveries and other	(291,157)
Balance at end of period	$ 171,015

5. Investments

The following is a summary of investments

	June 30	
	2012	**2011**
Board-designated	**$ 1,321,605**	$ 1,338,053
Restricted by donor or grantor	**42,654**	39,038
Total investments	**1,364,259**	1,377,091
Less short term investments	**(26,206)**	(26,958)
	$ 1,338,053	$ 1,350,133

(Tables in Thousands)

5. Investments (continued)

The following is a summary of investments by classification

	June 30	
	2012	**2011**
Cash and cash equivalents	**$ 93,477**	$ 48,642
Fixed income		
Corporate debt securities	**73,209**	72,255
Government agencies	**3,579**	3,334
Government obligations (U S and foreign)	**90,099**	79,088
Other debt securities	**36,436**	19,173
Commingled and mutual funds	**147,477**	144,147
Equity securities		
Domestic equities – common stock	**262,603**	278,182
International equities – common stock	**226,820**	326,082
Real assets – commodities	**38,837**	22,852
Alternative investments		
Hedge funds	**245,697**	273,583
Private equity investments	**99,466**	85,932
Real assets – limited partnerships	**24,816**	669
Other	**21,743**	23,152
	1,364,259	1,377,091
Less short term investments	**(26,206)**	(26,958)
Total investments	**$ 1,338,053**	$ 1,350,133

(Tables in Thousands)

5. Investments (continued)

The following is a summary of investment returns

	Year Ended June 30	
	2012	**2011**
Investment returns included in other operating revenues	**$ –**	$ 16,955
Investments		
Interest and dividends	**23,758**	21,490
Realized gains, net	**34,013**	35,913
Interest expense on Series 2001 bonds	**(2,417)**	(2,514)
Unrealized (losses) gains, net	**(63,655)**	116,872
Investment returns included in nonoperating (losses) gains, net	**(8,301)**	171,761
Investment returns included in restricted net assets	**146**	5,890
Total investment returns	**$ (8,155)**	$ 194,606

The Health System's investments are exposed to various kinds and levels of risk Fixed income securities expose the Health System to interest rate risk, credit risk, and liquidity risk As interest rates change, the value of many fixed income securities is affected, particularly those with fixed rates Credit risk is the risk that the obligor of the security will not fulfill its obligations Liquidity risk is affected by the willingness of market participants to buy and sell given securities Equity securities expose the Health System to market risk, performance risk, and liquidity risk Market risk is the risk associated with major movements of the equity markets, both foreign and domestic Performance risk is the risk associated with a company's operating performance Liquidity risk as previously defined tends to be higher for foreign equities and equities related to small capitalization companies

5. Investments (continued)

Certain of the Health System's investments are made through alternative investments, primarily private equity limited partnership investments and hedge funds These investments provide the Health System with a proportionate share of the investment gains and losses The fund manager has full discretionary authority over the investment decisions and provides the net asset valuation The hedge funds and private equity funds present risks similar to those of traditional investments, as well as some additional risks Due to the fact that these funds are invested through limited partnerships or other limited access-type vehicles, pricing is infrequent and liquidity may also be limited in some cases, up to 24 months for hedge funds Due to infrequent pricing and illiquidity of underlying investments, it is common practice for private equity funds to require investors to commit to a 10-year investment period, although the distribution of capital is likely to occur prior to the 10-year termination date These investments may also employ leverage, which may lead to additional risk of loss These investments are subject to market risk, default risk, interest rate risk, and credit risk as well as various other types of risks At June 30, 2012, the Health System has commitments to fund $54 1 million in these investments

At the balance sheet dates, receivables and payables for investment trades not settled are presented with other current assets and other current liabilities Unsettled sales resulted in receivables due from brokers of $196 6 million and $85 6 million at June 30, 2012 and 2011, respectively Unsettled buys resulted in payables of $164 5 million and $60 3 million at June 30, 2012 and 2011, respectively

6. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date The fair value measurements and disclosures topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement)

The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date

(Tables in Thousands)

6. Fair Value Measurements (continued)

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or can be derived or supported from observable data as of the reporting date

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources In evaluating the significance of input, the Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities These inputs may be used with internally developed methodologies that result in management's best estimate of fair value

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 89,338	$ 4,139	$ –	$ 93,477
Equity securities				
Domestic equities – common stock	262,603	–	–	262,603
International equities – common stock	86,200	140,620	–	226,820
Fixed income				
Corporate debt securities	–	73,209	–	73,209
Government agencies	–	3,579	–	3,579
Government obligations (U S and foreign)	–	90,099	–	90,099
Other debt securities	703	35,733	–	36,436
Commingled and mutual funds	44,645	102,832	–	147,477
Real assets – commodities	26,200	12,637	–	38,837
Other	–	6,390	–	6,390
Investments	509,689	469,238	–	978,927
Cash and cash equivalents	619	–	–	619
Equities – mutual funds	106,398	–	–	106,398
Other	–	6,103	42,493	48,596
Deferred compensation plan assets	107,017	6,103	42,493	155,613
Interest rate swap agreements	–	9,441	–	9,441
Total assets	$ 616,706	$ 484,782	$ 42,493	$ 1,143,981
Liabilities				
Interest rate swap agreements	$ –	$ 86,636	$ –	$ 86,636
Total liabilities	$ –	$ 86,636	$ –	$ 86,636

(Tables in Thousands)

6. Fair Value Measurements (continued)

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

	Other
Fair value at July 1, 2011	$ 42,572
Purchases, issuances, settlements, and sales	
Purchases	18,336
Sales	(19,189)
Actual return on plan assets	774
Transfers in and or out of Level 3	–
Fair value at June 30, 2012	$ 42,493

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 571	$ 48,071	$ –	$ 48,642
Equity securities				
Domestic equities – common stock	277,298	884	–	278,182
International equities – common stock	147,417	178,665	–	326,082
Fixed income				
Corporate debt securities	–	72,255	–	72,255
Government agencies	–	3,334	–	3,334
Government obligations (U.S. and foreign)	–	79,088	–	79,088
Other debt securities	455	18,718	–	19,173
Commingled and mutual funds	52,165	91,982	–	144,147
Real assets – commodities	22,852	–	–	22,852
Other	–	7,299		7,299
Investments	500,758	500,296	–	1,001,054
Cash and cash equivalents	473	–	–	473
Equities – mutual funds	105,702	–	–	105,702
Other	–	7,183	42,572	49,755
Deferred compensation plan assets	106,175	7,183	42,572	155,930
Interest rate swap agreements	–	9,215	–	9,215
Total assets	$ 606,933	$ 516,694	$ 42,572	$ 1,166,199
Liabilities				
Interest rate swap agreements	$ –	$ 48,544	$ –	$ 48,544
Total liabilities	$ –	$ 48,544	$ –	$ 48,544

(Tables in Thousands)

6. Fair Value Measurements (continued)

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

		Other
Fair value at July 1, 2010	$	37,337
Purchases, issuances, and settlements		2,409
Actual return on plan assets		2,826
Transfers in and or out of Level 3		–
Fair value at June 30, 2011	$	42,572

Investments in the fair value tables above exclude alternative investments of $370 0 million, which are recorded under the equity method of accounting and land held for investment of $15 4 million, which is recorded at cost at June 30, 2012 Investments in the fair value tables above exclude alternative investments of $360 2 million, which are recorded under the equity method of accounting, land held for investment of $15 4 million, which is recorded at cost, and a note receivable of $0 5 million at June 30, 2011

Deferred compensation plan assets and interest rate swaps (assets) are reported in other assets, and interest rate swaps (liabilities) are reported in insurance reserves and other liabilities in the consolidated balance sheets

The following is a description of the Health System's valuation methodologies for assets and liabilities measured at fair value Fair value for Level 1 is based upon quoted market prices The fair value of certain Level 2 securities was determined using multiple price types of bid/offer, last traded, settlement, evaluated, and the official primary exchange close-time pricing, provided by third-party pricing services if quoted market prices were not available The quality of the prices received is evaluated through price comparisons and tolerance level checks These Level 2 investments include cash equivalents, international equities, corporate debt securities, government agencies, government obligations, and commingled funds The fair values of the interest rate swap contracts, also Level 2 measurements, are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect nonperformance risk The credit spread adjustment is derived from other comparable rated entities' bonds priced in the market for Mercy and counterparty bond trading levels (or credit default swap spreads) for JP Morgan and Deutsche Bank The fair values of other securities in the deferred compensation plan's assets are based on unobservable inputs and are recorded based on information provided by the trustee

(Tables in Thousands)

6. Fair Value Measurements (continued)

The deferred compensation plans invest in a fully benefit-responsive guaranteed investment contract (GIC) with MetLife, which is a general account evergreen group annuity contract MetLife maintains the contributions in the general account The deferred compensation plans own a series of guarantees that are embedded in the insurance contract The contractual guarantees are backed up by the full faith and credit of MetLife, the contract issuer MetLife is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the deferred compensation plan There are no reserves against contract value for credit risk of the contract issuer or otherwise The crediting interest rate is based on a formula agreed upon with the issuer Such interest rates are reviewed on an annual basis for resetting

The carrying values of cash and cash equivalents, accounts receivable, notes receivable, pledges receivable, and current liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments The fair value of the Health System's fixed-rate bonds is based on quoted market prices for the same or similar issues and approximates $7 2 million and $9 5 million as of June 30, 2012 and 2011, respectively The carrying amount approximates fair value for all other long-term debt, which is variable rate, and excludes the impact of third-party credit enhancements

Due to the volatility of the financial market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term subsequent to June 30, 2012

7. Property and Equipment

The following is a summary of property and equipment

	June 30	
	2012	**2011**
Land and leasehold improvements	**$ 238,172**	$ 182,870
Buildings	**2,600,791**	2,424,151
Equipment	**2,007,360**	1,864,288
Construction-in-progress	**120,036**	44,057
	4,966,359	4,515,366
Less accumulated depreciation	**(2,684,768)**	(2,435,241)
Property and equipment, net	**$ 2,281,591**	$ 2,080,125

7. Property and Equipment (continued)

At June 30, 2012, construction and software-related contracts and commitments exist for capital improvements at certain of the Health System's facilities The remaining commitment on these contracts at June 30, 2012, was approximately $536 5 million, out of which $458 5 million relates to the construction of the new hospital in Joplin During the years ended June 30, 2012 and 2011, interest of $0 8 million and $3 0 million, respectively, was capitalized

8. Liability Programs

The Health System administers a liability program to provide for general and professional liability risks within certain limits Health care professional liabilities in excess of self-insured limits are insured on a claims-made basis subject to an annual maximum of $20,000 over the self-insured retention of $10,000, after which the Health System would again be responsible The recorded liabilities are based upon actuarial estimates of reported claims and IBNR claims using historical claim experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 4 75% for 2012 and 2011 Until June 30, 2011, the Health System maintained assets in a revocable trust fund to cover these risks On June 30, 2011, the trust was terminated, and the funds were merged into board-designated funds for investment purposes Management, however, continues to monitor and track these funds separately The discounted general and professional liability was $130 9 million and $141 0 million at June 30, 2012 and 2011, respectively, which is included in accrued liabilities and insurance reserves in the accompanying consolidated balance sheets

9. Employee Retirement Plans

Prior to July 1, 2011, Mercy sponsored an active defined benefit retirement plan (the Plan) to provide coverage under a single plan for groups acquired in business combinations Pension benefits were provided to substantially all Health System employees through the Plan As new employee groups were transitioned to the Plan, the Plan was modified through plan amendments to provide credit for service with the acquired provider Plan benefits were originally provided based on a final average pay formula but were later transitioned to a cash balance-type formula The cash balance formula provided an annual pay credit, based on employee compensation and years of service, and an interest credit based on the 30-year U S Treasury bill rate, subject to a floor of 5 25% Effective June 30, 2011, the Plan was closed to new entrants, and pay credits ceased Interest credits continue to be paid under the Plan The Plan is funded consistent with actuarial funding recommendations

(Tables in Thousands)

9. Employee Retirement Plans (continued)

Mercy provides various non-qualified defined benefit retirement plans to provide retirement income in excess of the limitations on benefits imposed by Internal Revenue Service (IRS) limitations and to attract and retain certain key executives These plans are closed to new entrants

The following table sets forth the Plan's and certain other of the Health System's pension plans' benefit obligations, fair value of plan assets, and funded status at the measurement date

	June 30	
	2012	**2011**
Accumulated benefit obligation	**$ 1,010,293**	$ 945,980
Changes in projected benefit obligation		
Projected benefit obligation at beginning of period	**$ 966,632**	$ 876,039
Service cost, benefits earned during the period	**1,413**	61,090
Interest cost on projected benefit obligation	**47,392**	45,523
Actuarial loss	**66,852**	41,724
Benefits paid	**(61,982)**	(57,744)
Projected benefit obligation at end of period	**$ 1,020,307**	$ 966,632
Changes in plan assets		
Fair value of plan assets at beginning of period	**$ 718,489**	$ 598,943
Actual return on plan assets	**(10,219)**	99,678
Employer contributions	**8,361**	77,612
Benefits paid	**(61,982)**	(57,744)
Fair value of plan assets at end of period	**$ 654,649**	$ 718,489
Funded status of the Plan	**$ (365,658)**	$ (248,143)

Amounts recognized in the accompanying consolidated balance sheets at June 30 consist of

	2012	**2011**
Accrued liabilities and other	**$ 3,334**	$ 2,973
Pension liabilities	**362,324**	245,170
	$ 365,658	$ 248,143

(Tables in Thousands)

9. Employee Retirement Plans (continued)

No plan assets are expected to be returned to the Health System during the fiscal year ended June 30, 2013

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost

	Year Ended June 30	
	2012	**2011**
Unrecognized actuarial loss	**$ (421,973)**	$ (300,404)
Unrecognized prior service cost	**(3,561)**	(4,105)
	$ (425,534)	$ (304,509)

Changes in plan assets and benefit obligations recognized in unrestricted net assets include

	Year Ended June 30	
	2012	**2011**
Current year actuarial (loss) gain	**$ (130,055)**	$ 5,606
Amortization of actuarial loss	**8,486**	6,379
Amortization of prior service credit	**544**	547
	$ (121,025)	$ 12,532

The estimated net actuarial gain (loss) and prior service cost included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ending June 30, 2013, are $12 0 million and $0 5 million, respectively The impact of the change in discount rate on the projected benefit obligation of the plan was an increase of approximately $71 3 million for the year ended June 30, 2012

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The following is a summary of the components of net periodic pension cost

	Year Ended June 30	
	2012	**2011**
Service cost, benefits earned during the period	**$ 1,413**	$ 61,090
Interest cost on projected benefit obligation	**47,392**	45,523
Expected return on plan assets	**(52,984)**	(52,350)
Amortization of unrecognized		
Prior service credit	**544**	547
Actuarial loss	**8,486**	6,379
Net periodic pension cost	**$ 4,851**	$ 61,189

Weighted-average assumptions used to determine the Plan's projected benefit obligation and net periodic benefit costs are as follows

	Projected Benefit Obligation		Net Periodic Benefit Costs	
	2012	**2011**	**2012**	**2011**
Discount rates	**4.05–4.20%**	5.00%–5.15%	**5.00%–5.15%**	5.05%–8.00%
Rates of salary increase	**5.00**	5.00–6.00	**6.00**	5.00–6.00
Expected long-term return on plan assets	**8.15**	8.15	**8.15**	8.15

The Plan's weighted-average asset allocations at June 30, 2012 and 2011, and target allocation by asset category are as follows

Asset Category	2012 Target Asset Allocation	Plan Assets at June 30 2012	2011
Equity securities	**40%**	**37%**	47%
Debt securities	**30**	**26**	26
Alternative investments	**30**	**33**	26
Other	**–**	**4**	1
Total	**100%**	**100%**	100%

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The fair value of the Plan's assets measured at fair value was determined using the following inputs at June 30, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 45,966	$ 12,304	$ –	$ 58,270
Equity securities				
Domestic equities – common stock	126,524	–	–	126,524
International equities – common stock	41,353	68,922	–	110,275
Fixed income				
Corporate debt securities	–	36,332	–	36,332
Government agencies	–	1,761	–	1,761
Government obligations (U.S. and foreign)	–	44,370	–	44,370
Other debt securities	346	2,734	–	3,080
Commingled and mutual funds	20,657	50,428	–	71,085
Real assets – commodities	12,652	6,194	–	18,846
Other	–	–	2,846	2,846
Hedge funds	–	–	120,346	120,346
Private equity	–	–	48,751	48,751
Real assets – limited partnerships	–	–	12,163	12,163
	$ 247,498	$ 223,045	$ 184,106	$ 654,649

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Hedge Funds	Private Equity	Real Assets – Limited Partnerships	Other
Fair value at July 1, 2011	$ 130,032	$ 43,024	$ 14,165	$ 2,882
Purchases, issuances, and settlements	(7,677)	2,560	(296)	–
Actual return on plan assets	(2,009)	3,167	(1,706)	(36)
Transfers in and/or out of Level 3	–	–	–	–
Fair value at June 30, 2012	$ 120,346	$ 48,751	$ 12,163	$ 2,846

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The fair value of the Plan's assets measured at fair value was determined using the following inputs at June 30, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 2,399	$ 9,113	$ –	$ 11,512
Equity securities				
Domestic equities – common stock	147,317	476	–	147,793
International equities – common stock	77,734	94,706	–	172,440
Fixed income				
Corporate debt securities	–	38,356	–	38,356
Government agencies	–	1,774	–	1,774
Government obligations (U S and foreign)	–	42,161	–	42,161
Other debt securities	242	23,491	–	23,733
Commingled and mutual funds	27,245	48,929	–	76,174
Real assets – commodities	12,214	–	–	12,214
Other	–	2,229	2,882	5,111
Hedge funds	–	–	130,032	130,032
Private equity	–	–	43,024	43,024
Real assets – limited partnerships	–	–	14,165	14,165
	$ 267,151	$ 261,235	$ 190,103	$ 718,489

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Hedge Funds	Private Equity	Real Assets – Limited Partnerships	Other
Fair value at July 1, 2010	$ 78,155	$ 6,469	$ –	$ 2,925
Purchases, issuances, and settlements	42,808	35,121	15,047	–
Actual return on plan assets	9,069	1,434	(882)	(43)
Transfers in and/or out of Level 3	–	–	–	–
Fair value at June 30, 2011	$ 130,032	$ 43,024	$ 14,165	$ 2,882

Fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 6 Level 3 securities, which consist of alternative investments (principally limited partnership interests in hedge funds and private equity funds) and a guaranteed investment contract, represent the Plan's ownership interest in the net asset value (NAV) of the respective partnership

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in hedge funds and private equity funds Valuations provided by the respective fund's management include variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 24 months in the case of hedge funds and up to 10 years for private equity funds At June 30, 2012, the Plan has commitments to fund $26 5 million in these investments

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The Plan employs investment managers to invest fund balances in a structured portfolio of equity, fixed income, and alternative investments (which includes hedges funds, private equity, and real assets) The Plan retains outside consultants to support the overall asset allocation and manager selection process The Plan's current investment policy was updated and approved in November 2011 This update did not result in any material changes to the allocation of assets All manager performance is reviewed to test that market performance has been calculated accurately, to monitor performance versus peers and benchmarking, and to evaluate portfolio structure considering current and future needs based on economic forecasts and actuarial projections Mercy believes that a diversified portfolio will limit the degree of risk to the Plan and stabilize the long-term results The Plan's diversified blend of marketable securities also takes into consideration the cash flow requirements of the Plan to help ensure the ability to meet the monthly payout of benefits required Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category

The Health System expects to contribute at least $2 5 million to the Plan during fiscal 2013

The following benefit payments, which reflect expected future service, are expected to be paid by the Plan

	Amount
Year Ending June 30	
2013	$ 69,400
2014	69,600
2015	76,200
2016	72,600
2017	75,900
2018 through 2022	365,200
	$ 728,900

(Tables in Thousands)

9. Employee Retirement Plans (continued)

The Health System has a defined-contribution 401(k) plan and a 403(b) plan for the benefit of substantially all employees Participant contributions to the plans are subject to IRS limitations The 401(k) plan has always included an employer-provided match contribution Effective July 1, 2011, the 401(k) plan was amended to enhance the match contribution and add a non-matching service contribution to replace the pay credit previously earned under the defined benefit plan The 403(b) plan allows participant contributions, and amounts contributed to the plan are eligible for a match contribution and service contribution under the provisions of the 401(k) plan

The match contribution is equal to 50% of the first 4% of the participant's compensation contributed and 25% of the next 2% of the participant's compensation contributed The service contribution is equal to compensation multiplied by a percentage of pay based on years of service (1%–9% for employees hired prior to July 1, 2011 and 1%–4% for those hired on July 1, 2011 or later) In order to earn a match contribution or service contribution, an employee must work at least 1,000 hours during the year (or a rate of 1,000 hours for the service contribution) Employees become vested in both match and service contributions upon the completion of three years of vesting service

For the years ended June 30, 2012 and 2011, the total expenses incurred related to the 401(k) and 403(b) plans were $82 2 million and $14 2 million, respectively

10. Long-Term Obligations

The following is a summary of long-term obligations

	June 30	
	2012	**2011**
Revenue bonds, fixed interest rates of 5 0% due through June 2019	**$ 6,500**	$ 8,745
Revenue bonds, variable interest rates with weighted-average interest rates of 0 75% and 0 9% in fiscal 2012 and 2011, respectively, due through June 2039	**742,075**	754,725
Other notes, mortgage notes, and capital lease obligations	**82,847**	52,470
	831,422	815,940
Less current maturities on long-term obligations	**(21,218)**	(19,380)
Long-term obligations, less current maturities	**$ 810,204**	$ 796,560

10. Long-Term Obligations (continued)

Mercy's not-for-profit subsidiaries have executed a commitment agreement governing certain borrowing arrangements under the Mercy Master Trust Indenture and related agreements (Financing Agreements) While only the revenues of Mercy collateralize the outstanding borrowings of the Health System, each of these subsidiaries has committed to transfer such assets to Mercy to pay the amounts due on borrowings when they come due The Financing Agreements contain certain restrictive covenants, including debt service coverage and liquidity ratios At June 30, 2012, Mercy was in compliance with all covenants

Tax-exempt revenue bonds have been issued by various issuing authorities, the proceeds of which were used by Mercy primarily to finance capital projects and to refinance existing indebtedness of certain subsidiaries

Mercy has auction-rate securities aggregating to $378 3 million The interest rate is set through a weekly auction process among bond investors Starting in fiscal 2008, due to the marketwide financial crisis, institutional buyers and investment banks opted not to participate in the market for securities of this type, causing a failure of the auction process and resulting in the bonds resetting to a maximum rate predefined in the bond agreement based on the higher of the current LIBOR or commercial paper index adjusted for the current rating and current tax rate plus a fixed spread

In November 2011, $376 4 million of variable rate tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture The proceeds of these bonds were used to refund the Series 2008 variable rate demand bonds aggregating $376 4 million These bonds were directly purchased by four banks and mature at various dates starting June 1, 2012 through June 1, 2039 The bonds bear interest monthly, and interest is paid monthly at an annual borrowing rate based on a percentage of one-month LIBOR plus an applicable spread The bonds include a mandatory put by the purchasing banks in November 2016 and November 2018, at which time Mercy may elect to renegotiate with the initial purchasers, remarket or redeem the bonds

(Tables in Thousands)

10. Long-Term Obligations (continued)

Other notes payable, mortgage notes payable, and capital lease obligations are secured by certain property and equipment of the specific borrowers

Aggregate maturities of long-term obligations as scheduled at June 30, 2012, are as follows

Year Ending June 30	Amount
2013	$ 21,218
2014	21,051
2015	17,365
2016	14,966
2017	8,239
Thereafter	748,583
	$ 831,422

11. Derivatives

The Health System has interest rate-related derivative instruments to manage its interest rate exposure on its variable-rate debt instruments and does not enter into derivative instruments for any purpose other than risk management Interest rate swap contracts between the Health System and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate These agreements expose the Health System to market risk and credit risk Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions Counterparty credit risk is managed by requiring high credit standards for the Health System's counterparties The counterparties to these contracts are financial institutions that carry investment-grade credit ratings at the time contracts are executed The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk The Health System does not anticipate nonperformance by its counterparties Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken Management also mitigates risk through periodic reviews of the Health System's derivative positions in the context of its blended cost of capital

(Tables in Thousands)

11. Derivatives (continued)

The following is a summary of the outstanding positions under these interest rate swap agreements

Interest Rate Swap Type	Expiration Date	Health System Pays	Health System Receives	Notional Value June 30, 2012	Notional Value June 30, 2011
Fixed payor	June 2, 2031	3 36% – 3 751%	70% of one-month LIBOR	$ **252,200**	$ 252,200
Fixed payor	June 2, 2031	3 848% – 3 856%	70% of one-month LIBOR	**50,000**	50,000
Fixed payor	June 1, 2016	3 94%	67% of one-month LIBOR	**29,050**	36,650
Constant maturity	June 2, 2031	One-week SIFMA Index	89% of 10-year SIFMA Index	**125,000**	125,000
Constant maturity	January 1, 2016	89% of 10-year SIFMA Index	USD-BMA Municipal Swap Index	**125,000**	125,000

The fair value of derivative instruments is as follows

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 30 2012	June 30 2011
Interest rate swap agreements	Other assets	$ **9,441**	$ 9,215
Interest rate swap agreements	Other liabilities	**86,636**	48,544

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for the years ended June 30, 2012 and 2011, are reflected in realized and unrealized gains (losses) on interest rate swaps in the consolidated statements of operations

(Tables in Thousands)

12. Operating Leases

Rent expense for the years ended June 30, 2012 and 2011, totaled $66 9 million and $61 3 million, respectively

Future minimum rental payments under noncancelable operating leases as of June 30, 2012, that have initial or remaining terms in excess of one year are as follows

	Amount
Year Ending June 30	
2013	$ 46,599
2014	40,692
2015	33,454
2016	29,981
2017	27,873
Thereafter	133,289
	$ 311,888

13. Commitments and Contingencies

Regulatory Compliance

The U S Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers The Health System is not exempt from these regulatory efforts and has received correspondence from federal agencies with regard to such initiatives In consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations

Litigation

The Health System is involved in litigation arising in the normal course of business After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations

(Tables in Thousands)

14. Subsequent Events

The Health System evaluated events and transactions occurring subsequent to June 30, 2012, through September 24, 2012, the date the consolidated financial statements were issued During this period, there were no subsequent events that required recognition in the consolidated financial statements

On July 1, 2012, a subsidiary of the Health System executed an agreement to purchase substantially all of the assets of a physician practice, an ambulatory surgery center, several medical office buildings, and the employment of 78 physicians in various specialties for approximately $123 million in cash and assumption of debt As of September 24, 2012, not all third-party valuations are final, and accordingly, purchase accounting for this transaction has been provisionally recorded based on best available information

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date As the values of certain assets and liabilities are preliminary in nature, they are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the acquisition date When the valuation is final, any changes to the preliminary valuation of acquired assets and liabilities could result in adjustments to goodwill

	July 1, 2012
Property and equipment, net	$ 80,200
Goodwill and intangible assets	44,100
Long-term debt	21,900
Other (including net working capital)	(1,200)

On August 9, 2012, the Health System signed a letter of intent to acquire Jefferson Health System and its subsidiaries (Jefferson) Jefferson includes an acute care hospital in the Jefferson County region of Missouri, a physician network that has more than 150 affiliated physicians, and other outpatient facilities It is anticipated that the definitive agreements for this transaction will be executed in fiscal 2013

Supplementary Information

Mercy Health

Consolidating Balance Sheet

June 30, 2012

		Fort Smith		Hot Springs		Rogers		Joplin		Kansas		Carthage
						(In Thousands)						
Assets												
Current assets												
Cash and cash equivalents	$	34,111	$	(26,056)	$	(4,680)	$	112,544	$	25,199	$	549
Accounts receivable, net		36,172		31,245		27,485		15,517		4,907		8,848
Inventories		3,823		4,943		3,753		3,997		1,592		1,233
Short-term investments		–		–		–		–		–		–
Other current assets		(1,518)		(5,143)		(5,520)		(33,458)		(1,516)		10,393
Total current assets		72,588		4,989		21,038		98,600		30,182		21,023
Investments		2,093		781		8,419		220		1,312		(18)
Property and equipment, net		154,722		114,318		127,664		161,079		39,152		42,671
Notes receivable		9,715		454		–		56		191		–
Other assets		14,583		9,635		95		1,493		(644)		–
Total assets	$	253,701	$	130,177	$	157,216	$	261,448	$	70,193	$	63,676
Liabilities and net assets												
Current liabilities												
Current maturities of long-term obligations	$	360	$	427	$	136	$	–	$	–	$	707
Accounts payable		4,017		5,379		3,990		20,995		2,264		2,075
Accrued payroll and related liabilities		11,243		11,188		7,961		7,882		4,122		3,968
Accrued liabilities and other		2,211		(134)		3,834		1,557		3,806		2,792
Total current liabilities		17,831		16,860		15,921		30,434		10,192		9,542
Insurance reserves and other liabilities		3,338		2,004		1		33		397		–
Pension liabilities		–		–		–		–		–		–
Long-term obligations, less current maturities		7,237		7,585		304		–		–		43,270
Total liabilities		28,406		26,449		16,226		30,467		10,589		52,812
Net assets												
Unrestricted		223,531		102,871		135,081		227,947		59,210		10,864
Restricted		1,764		857		5,909		3,034		394		–
Total net assets		225,295		103,728		140,990		230,981		59,604		10,864
Total liabilities and net assets	$	253,701	$	130,177	$	157,216	$	261,448	$	70,193	$	63,676

	St. Louis	Springfield	Oklahoma	MML	Mercy	Eliminations	Total
					(In Thousands)		
	$ 34,692	$ 32,372	$ 54,321	$ 835	$ 73,437	$ –	$ 337,324
	132,308	167,183	82,523	–	163	–	506,351
	14,748	24,789	8,899	–	10,940	–	78,717
	–	–	–	–	26,206	–	26,206
	11,150	9,544	(10,106)	300	378,904	(70,826)	282,204
	192,898	233,888	135,637	1,135	489,650	(70,826)	1,230,802
	22,346	25,448	8,318	24,503	1,244,631	–	1,338,053
	600,356	451,786	209,133	2,689	378,021	–	2,281,591
	2,101	409	35	–	–	–	12,961
	48,788	114,358	40,087	1	91,782	–	320,178
	$ 866,489	$ 825,889	$ 393,210	$ 28,328	$ 2,204,084	$ (70,826)	$ 5,183,585
	$ 2,808	$ 460	$ 254	$ –	$ 16,066	$ –	$ 21,218
	46,940	59,504	14,425	90	33,549	(56,955)	136,273
	85,601	89,428	30,922	–	79,967	(13,871)	318,411
	9,109	76,637	1,158	138	237,182	–	338,290
	144,458	226,029	46,759	228	366,764	(70,826)	814,192
	20,984	64,891	1,977	425	306,754	–	400,804
	–	–	–	–	362,324	–	362,324
	30,865	207	158	–	720,578	–	810,204
	196,307	291,127	48,894	653	1,756,420	(70,826)	2,387,524
	648,000	506,959	336,339	27,510	446,494	–	2,724,806
	22,182	27,803	7,977	165	1,170	–	71,255
	670,182	534,762	344,316	27,675	447,664	–	2,796,061
	$ 866,489	$ 825,889	$ 393,210	$ 28,328	$ 2,204,084	$ (70,826)	$ 5,183,585

Mercy Health

Consolidating Statement of Operations

Year Ended June 30, 2012

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
			(In Thousands)			
Operating revenues						
Patient service revenues						
(net of contractuals and discounts)	$ 279,520	$ 252,260	$ 215,242	$ –	$ 73,503	$ 38,744
Provision for uncollectible receivables	(26,288)	(16,953)	(14,155)	–	(4,651)	(4,318)
Net patient service revenues	253,232	235,307	201,087	–	68,852	34,426
Capitation revenues	–	46	–	–	–	–
Other operating revenues	17,325	5,203	3,584	–	5,300	244
Total operating revenues	270,557	240,556	204,671	–	74,152	34,670
Operating expenses						
Salaries and benefits	143,822	139,143	107,295	–	39,739	12,394
Supplies and other	121,309	98,837	84,875	–	27,900	18,398
Medical claims expense	–	–	–	–	–	–
Interest	610	650	39	–	1	1,287
Depreciation and amortization	12,785	12,795	12,361	–	3,672	1,759
Total operating expenses	278,526	251,425	204,570	–	71,312	33,838
Operating (loss) income before Joplin operations and related insurance recovery	(7,969)	(10,869)	101	–	2,840	832
Joplin insurance proceeds	–	–	–	388,100	–	–
Joplin operating revenues	–	–	–	95,577	–	–
Joplin operating expenses	–	–	–	(247,339)	–	–
Total operating (loss) income	(7,969)	(10,869)	101	236,338	2,840	832
Nonoperating gains (losses)						
Investment returns, net	32	151	356	(40)	46	2
Realized and unrealized losses on interest rate swaps	–	–	–	–	–	–
Other, net	(697)	91	5	(460)	(307)	6
Total nonoperating (losses) gains, net	(665)	242	361	(500)	(261)	8
(Deficit) excess of revenues over expenses	(8,634)	(10,627)	462	235,838	2,579	840
Other changes in unrestricted net assets						
Transfers from (to) Mercy, net	25,251	–	–	–	–	–
Pension liability adjustments	–	–	–	–	–	–
Gain from discontinued operations	–	–	–	–	–	–
Net assets released from restrictions for property acquisitions	–	–	–	–	25	–
Other	(250)	(303)	(170)	(10,027)	(152)	10,024
Increase (decrease) in unrestricted net assets	$ 16,367	$ (10,930)	$ 292	$ 225,811	$ 2,452	$ 10,864

St. Louis	Springfield	Oklahoma	MML	Mercy	Eliminations	Total
			(In Thousands)			
$ 1.095.242	$ 1.383.411	$ 655.837	$ 294	$ 1.208	$ (115.853)	$ 3.879.408
(38.805)	(106.810)	(56.162)	–	(223)	–	(268.365)
1.056.437	1.276.601	599.675	294	985	(115.853)	3.611.043
7.290	251.361	–	–	281	–	258.978
42.280	87.224	32.539	2.574	595.435	(549.086)	242.622
1.106.007	1.615.186	632.214	2.868	596.701	(664.939)	4.112.643
582.981	783.988	312.619	2.398	320.409	(115.853)	2.328.935
436.024	566.123	274.168	1.515	184.478	(549.084)	1.264.543
147	120.672	–	–	–	–	120.819
2.780	19	32	–	6.391	(1)	11.808
61.550	53.104	23.943	192	81.964	–	264.125
1.083.482	1.523.906	610.762	4.105	593.242	(664.938)	3.990.230
22.525	91.280	21.452	(1.237)	3.459	(1)	122.413
–	–	–	–	–	–	388.100
–	–	–	–	–	–	95.577
–	–	–	–	–	–	(247.339)
22.525	91.280	21.452	(1.237)	3.459	(1)	358.751
745	(389)	18	1.207	(10.429)	–	(8.301)
–	–	–	–	(49.819)	–	(49.819)
194	(27)	(19)	–	(787)	–	(2.001)
939	(416)	(1)	1.207	(61.035)	–	(60.121)
23.464	90.864	21.451	(30)	(57.576)	(1)	298.630
5.093	(141.176)	10.887	–	99.945	–	–
–	–	–	–	(121.025)	–	(121.025)
–	–	–	–	8.435	–	8.435
1.172	4	1.908	22	–	–	3.131
(3)	1.983	(1.460)	(1)	(13.776)	15.538	1.403
$ 29.726	$ (48.325)	$ 32.786	$ (9)	$ (83.997)	$ 15.537	$ 190.574

Mercy Health

Consolidating Statement of Changes in Net Assets

Year Ended June 30, 2012

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
			(In Thousands)			
Increase (decrease) in unrestricted net assets	$ 16,367	$ (10,930)	$ 292	$ 225,811	$ 2,452	$ 10,864
Restricted net assets						
Pledges, bequests, and gifts for specific purposes	1,336	67	35	1,072	–	–
Investment returns, net	–	(6)	–	–	–	–
Net assets released from restrictions	(956)	(1,208)	(126)	(286)	(283)	–
Other	–	(41)	–	–	166	–
Increase (decrease) in restricted net assets	380	(1,188)	(91)	786	(117)	–
Change in net assets	16,747	(12,118)	201	226,597	2,335	10,864
Net assets at beginning of year	208,548	115,846	140,789	4,384	57,269	–
Net assets at end of year	$ 225,295	$ 103,728	$ 140,990	$ 230,981	$ 59,604	$ 10,864

St. Louis	Springfield	Oklahoma	MML	Mercy	Eliminations	Total
			(In Thousands)			
$ 29,726	$ (48,325)	$ 32,786	$ (9)	$ (83,997)	$ 15,537	$ 190,574
5,890	3,985	1,684	1,012	988	–	16,069
153	(2)	1	–	–	–	146
(5,895)	(2,245)	(2,857)	(1,041)	(118)	–	(15,015)
49	10	(7)	–	(361)	–	(184)
197	1,748	(1,179)	(29)	509	–	1,016
29,923	(46,577)	31,607	(38)	(83,488)	15,537	191,590
640,259	581,339	312,709	27,713	531,152	(15,537)	2,604,471
$ 670,182	$ 534,762	$ 344,316	$ 27,675	$ 447,664	$ –	$ 2,796,061