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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b> <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

**A For the 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012**

<b>B</b> Check if applicable <input checked="" type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Mercy Hospital Inc		<b>D</b> Employer identification number 04-3398280
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) c/o SPHS 1221 Main Street No 213	Room/suite	<b>E</b> Telephone number (413) 539-2689
	City or town, state or country, and ZIP + 4 Holyoke, MA 010405396		<b>G</b> Gross receipts \$ 236,226,638
	<b>F</b> Name and address of principal officer Daniel P Moen 271 Carew Street Springfield, MA 011042337		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶ 0928
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J</b> Website: ▶ www.mercycares.com			

## Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Mercy Hospital, Inc. is a not-for-profit hospital established to meet the health care needs of the community it serves. Mercy Hospital offers a wide range of programs and services in acute care, behavioral health care and rehabilitation care.		
	2 Check this box <input type="checkbox"/> 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	19
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	14
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	2,142
	6 Total number of volunteers (estimate if necessary)	6	153
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,059,286
7b Net unrelated business taxable income from Form 990-T, line 34	7b	-24,619	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 10,335,411	Current Year 17,209,818
	9 Program service revenue (Part VIII, line 2g)	204,817,309	212,541,154
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	549,849	454,746
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,978,073	6,020,920
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	219,680,642	236,226,638
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
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)		100,591,827	104,869,246
16a Professional fundraising fees (Part IX, column (A), line 11e)		0	0
b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		106,704,025	106,439,852
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		207,295,852	211,309,098
19 Revenue less expenses. Subtract line 18 from line 12		12,384,790	24,917,540
Net Assets or Fund Balances		Beginning of Current Year	
	20 Total assets (Part X, line 16)	167,320,387	193,664,026
	21 Total liabilities (Part X, line 26)	93,277,278	93,929,706
	22 Net assets or fund balances. Subtract line 21 from line 20	74,043,109	99,734,320

## 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.

<b>Sign Here</b>	***** Signature of officer			2013-11-15 Date	
	Thomas Robert Senior Vice President/CFO Type or print name and title				
<b>Paid Preparer Use Only</b>	Prnt/Type preparer's name William J Homer		Preparer's signature		Date
	Check <input type="checkbox"/> if self-employed			PTIN P00994519	
	Firm's name ▶ Deloitte Tax LLP			Firm's EIN ▶ 86-1065772	
	Firm's address ▶ 1700 Market Street 25th Floor Philadelphia, PA 191033984			Phone no (215) 246-2300	

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

Mercy Hospital, a member of the Sisters of Providence Health System, Inc ("SPHS"), is a community of persons committed to being a transforming, healing presence within the communities that we serve. We believe in the sacredness of human life, in the innate dignity of each person and that it is in relationship with one another that all persons realize their fullest potential. In our service, we are sustained by an unwavering trust in God's Providence. Mercy Hospital, Inc. is a member of Catholic Health East ("CHE").

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 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 \$ 133,074,802 including grants of \$ ) (Revenue \$ 172,960,641 )

Mercy Hospital offers a wide range of programs and services in acute care. The acute programs and services include cardiac care,maternity services,cancer treatment,emergency care,diagnostic imaging,intensive care,critical care and surgical procedures both inpatient and outpatient. 2012 Total Patient Days 40,613

4b

(Code ) (Expenses \$ 31,812,565 including grants of \$ ) (Revenue \$ 26,554,441 )

Mercy Hospital's behavioral health programs and services include inpatient and outpatient psychiatric care for people of all ages,short term residential treatment for people with acute psychiatric and or substance abuse problems, and intensive outpatient chemical dependency programs. 2012 Total Patient Days 36,210

4c

(Code ) (Expenses \$ 15,036,550 including grants of \$ ) (Revenue \$ 15,891,042 )

Mercy Hospital's rehabilitation programs and services include inpatient, outpatient, day and pediatric rehabilitation services, physical therapy,occupational therapy, speech therapy, audiology and pain management. Total Patient Days 7,773

4d

Other program services (Describe in Schedule O )





















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

4e

Total program service expenses

179,923,917

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 <b>Section 501(c)(3) organizations.</b> 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 for escrow or custodial account liability, 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, line 10? 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	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? 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 and XII 	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 and XII 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, Parts I and IV	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 United States? If "Yes," complete Schedule F, Parts 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 United States? If "Yes," complete Schedule F, Parts 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 (see instructions)	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 hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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.	272	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		2,142	
2b		Yes	
3a		Yes	
3b		Yes	
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7 Organizations that may receive deductible contributions under section 170(c).			
7a			No
7b			
7c			No
7d		0	
7e			No
7f			No
7g			
7h			
8			
9			
9a			
9b			
10			
10a			
10b			
11			
11a			
11b			
12a			
12b			
13			
13a			
13b			
13c			
14a			No
14b			

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	19	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	14	
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
7b	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		
8a	The governing body?	8a	Yes
8b	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.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	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	Yes
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	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?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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	Yes
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	MA
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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
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 during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	William Krasin c/o SPHS 1221 Main Street Suite 213 Holyoke, MA (413) 539-2689

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

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

- List 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 organization compensated any current officer, director, or trustee

[illegible]



## Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
<b>1b</b> Sub-Total . . . . .										
<b>c</b> Total from continuation sheets to Part VII, Section A . . . . .										
<b>d</b> Total (add lines 1b and 1c) . . . . .								1,573,191	1,931,008	282,942

**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 ▶ 99

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

## Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Locumtenens Com LLC PO Box 405547 Atlanta GA 303845547	Psychiatry	1,442,564
Sheridan Morse Healthcare of MA PO Box 452197 Sunrise FL 333232197	Anesthesiology	1,249,172
Western Mass Critical Care PC 300 Stafford Street suite 300 Springfield MA 011040000	Physician fees	1,169,873
Angelica Textile Services PO Box 823283 Philadelhia PA 191823283	Laundry Services	1,120,277
Arrow Security PO Box 1250 Springfield MA 011010000	Security	1,011,229

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 ►24

Part VIII

Statement of Revenue

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

			(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				
	e	Government grants (contributions)	1e	16,745,353			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	464,465			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		17,209,818			
Program Service Revenue			Business Code				
	2a	Acute care	623000	170,408,143	170,408,143		
	b	Behavioral health care	623000	26,416,266	26,416,266		
	c	Rehabilitation revenue	623000	15,716,745	15,716,745		
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		212,541,154			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		454,746		454,746	
	4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties . . . . .					
	6a	(i) Real		(ii) Personal			
		630,136					
		b Less rental expenses		0			
		c Rental income or (loss)		630,136			
	d	Net rental income or (loss) . . . . .		630,136		630,136	
	7a	(i) Securities		(ii) Other			
		b Less cost or other basis and sales expenses					
		c Gain or (loss)					
	d	Net gain or (loss) . . . . .					
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .		a			
		b Less direct expenses . . . . .		b			
		c Net income or (loss) from fundraising events . . .					
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .		a			
		b Less direct expenses . . . . .		b			
		c Net income or (loss) from gaming activities . . .					
	10a	Gross sales of inventory, less returns and allowances . . . . .		a			
		b Less cost of goods sold . . . . .		b			
		c Net income or (loss) from sales of inventory . . .					
Miscellaneous Revenue		Business Code					
11a	Meaningful Use	900099	1,851,743	1,851,743			
b	Cafeteria Revenue	722210	1,270,009			1,270,009	
c	Pharmacy Revenue	722210	912,687		912,687		
d	All other revenue . . . . .		1,356,345	1,013,227	146,599	196,519	
e	Total. Add lines 11a-11d . . . . .		5,390,784				
12	Total revenue. See Instructions . . . . .			236,226,638	215,406,124	1,059,286	2,551,410

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).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	728,360	202,680	525,680	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	86,795,075	85,881,515	913,560	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,852,333	2,832,236	20,097	
9	Other employee benefits.	7,695,843	7,582,356	113,487	
10	Payroll taxes.	6,797,635	6,688,437	109,198	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	517,431		517,431	
c	Accounting.				
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	25,252,300	22,716,485	2,535,815	
12	Advertising and promotion.	188,367	134,856	53,511	
13	Office expenses.	5,007,670	4,202,861	804,809	
14	Information technology.	1,152,203	1,152,203		
15	Royalties.				
16	Occupancy.	5,620,888	5,434,960	185,928	
17	Travel.	160,734	155,448	5,286	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	183,199	170,289	12,910	
20	Interest.	1,579,558		1,579,558	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	8,570,876	7,024,581	1,546,295	
23	Insurance.	2,038,417	2,038,079	338	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	Medical Supplies	28,228,249	28,217,245	11,004	0
b	System Assessment	21,562,383	0	21,562,383	0
c	Service Contracts	4,513,650	4,049,027	464,623	0
d					
e	All other expenses	1,863,927	1,440,659	423,268	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	211,309,098	179,923,917	31,385,181	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	<b>1</b>	Cash—non-interest-bearing . . . . .			<b>1</b>	
	<b>2</b>	Savings and temporary cash investments . . . . .		60,016,763	<b>2</b>	78,712,840
	<b>3</b>	Pledges and grants receivable, net . . . . .		1,577,984	<b>3</b>	477,032
	<b>4</b>	Accounts receivable, net . . . . .		24,076,402	<b>4</b>	25,394,994
	<b>5</b>	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .			<b>5</b>	
	<b>6</b>	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L . . . . .			<b>6</b>	
	<b>7</b>	Notes and loans receivable, net . . . . .		9,262	<b>7</b>	7,607
	<b>8</b>	Inventories for sale or use . . . . .		3,510,441	<b>8</b>	3,483,052
	<b>9</b>	Prepaid expenses and deferred charges . . . . .		1,475,130	<b>9</b>	
	<b>10a</b>	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	<b>10a</b>	217,617,767		
	<b>b</b>	Less accumulated depreciation . . . . .	<b>10b</b>	138,949,861	70,811,438	<b>10c</b> 78,667,906
	<b>11</b>	Investments—publicly traded securities . . . . .		3,995,741	<b>11</b>	4,235,637
	<b>12</b>	Investments—other securities See Part IV, line 11 . . . . .			<b>12</b>	
	<b>13</b>	Investments—program-related See Part IV, line 11 . . . . .			<b>13</b>	
	<b>14</b>	Intangible assets . . . . .			<b>14</b>	
	<b>15</b>	Other assets See Part IV, line 11 . . . . .		1,847,226	<b>15</b>	2,684,958
	<b>16</b>	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .		167,320,387	<b>16</b>	193,664,026
Liabilities	<b>17</b>	Accounts payable and accrued expenses . . . . .		17,611,124	<b>17</b>	18,385,561
	<b>18</b>	Grants payable . . . . .		158,440	<b>18</b>	215,741
	<b>19</b>	Deferred revenue . . . . .			<b>19</b>	
	<b>20</b>	Tax-exempt bond liabilities . . . . .		48,099,088	<b>20</b>	46,289,518
	<b>21</b>	Escrow or custodial account liability Complete Part IV of Schedule D . . . . .			<b>21</b>	
	<b>22</b>	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .			<b>22</b>	
	<b>23</b>	Secured mortgages and notes payable to unrelated third parties . . . . .			<b>23</b>	
	<b>24</b>	Unsecured notes and loans payable to unrelated third parties . . . . .			<b>24</b>	
	<b>25</b>	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 . . . . .		27,408,626	<b>25</b>	29,038,886
	<b>26</b>	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .		93,277,278	<b>26</b>	93,929,706
Net Assets or Fund Balances		<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>				
	<b>27</b>	Unrestricted net assets . . . . .		71,785,556	<b>27</b>	97,580,161
	<b>28</b>	Temporarily restricted net assets . . . . .		1,899,747	<b>28</b>	1,796,353
	<b>29</b>	Permanently restricted net assets . . . . .		357,806	<b>29</b>	357,806
		<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>				
	<b>30</b>	Capital stock or trust principal, or current funds . . . . .			<b>30</b>	
	<b>31</b>	Paid-in or capital surplus, or land, building or equipment fund . . . . .			<b>31</b>	
	<b>32</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .			<b>32</b>	
	<b>33</b>	Total net assets or fund balances . . . . .		74,043,109	<b>33</b>	99,734,320
	<b>34</b>	Total liabilities and net assets/fund balances . . . . .		167,320,387	<b>34</b>	193,664,026

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	236,226,638
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	211,309,098
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	24,917,540
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	74,043,109
5	Net unrealized gains (losses) on investments . . . . .	5	751,182
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	22,489
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	99,734,320

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2c	If "Yes," to line 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		
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?	Yes	
3b	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	Yes	

Additional Data

Software ID:

Software Version:

EIN: 04-3398280

Name: Mercy Hospital Inc

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
David M Chadbourne MD Trustee	10 90	X						0	0	0
William A Collins Trustee	10 90	X						0	0	0
Rev Msgr C D Connelly Trustee	10 90	X						0	0	0
Mohamed P Hamdani MD Trustee	10 90	X						0	0	0
Sr Ann M Horgan SP Trustee	10 90	X						0	0	0
Paul Mancinone Trustee	10 90	X						0	0	0
Sr Ruth F McGoldrnck SP Trustee	10 90	X						0	0	0
Leda M McKenry PHD Trustee	10 90	X						0	0	0
Mark J Mullan MD Trustee	10 90	X						0	0	0
Sr Joan C Mullen SP Trustee	10 90	X						0	0	0
Shirrn Nash MD Trustee	10 90	X						0	0	0
Carla W Newton Esq Trustee	10 90	X						0	0	0
Sr Kathleen M Popko SP Trustee	10 90	X						0	0	0
John E Sjoberg Trustee	10 90	X						0	0	0
Dean M Whalen Esq Trustee	10 90	X						0	0	0
Joanne M Beauregard Chair	10 90	X		X				0	0	0
Kathleen M Kane Vice Chair	10 90	X		X				0	0	0
Robert M Sullivan Jr Secretary	10 90	X		X				0	0	0
Daniel P Moen President & CEO	25 00 25 00	X		X				0	767,596	35,199
Daniel Keenan Ast Secty/SVP Gvnmt Rltn	40 00 10 00			X				0	219,440	32,930
Thomas Robert Treasurer/ SVP & CFO	25 00 25 00			X				0	299,502	31,200
Leonard F Pansa Sr VP HR & Admin Svcs	25 00 25 00				X			0	274,014	25,638
Scott Wolf Sr VP/CMO	39 00 11 00				X			0	352,447	44,974
Sharon Adams Sr VP Patient Care Services	50 00 0 00				X			272,861	0	29,109
Mary Tarail Chief Medical Officer	40 00 0 00				X			217,188	0	6,522

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Harold Jordan Medical Director	40 00 0 00				X			198,344	0	4,336
Nancy Dufault Staff Nurse	61 50 0 00					X		234,531	0	15,784
Chhewang Norsang Medical Director	40 00 0 00					X		204,178	0	12,871
Jaiteerth Avadhani Radiation Physicist	40 00 0 00					X		185,619	0	22,198
Lawrence Osborn Psychiatrist	40 00 0 00					X		104,260	0	1,776
Lathleen Kane Staff Nurse	47 50 0 00					X		156,210	0	19,392
William Bithoney MD Former COO MCC & Former CMO SPHS	0 00 0 00						X	0	18,009	1,013

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

2012

Open to Public Inspection

Name of the organization Mercy Hospital Inc	Employer identification number 04-3398280
--	--

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 described in **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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% 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 - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- |          | Yes | No |
|----------|-----|----|
| 11g(i)   |     |    |
| 11g(ii)  |     |    |
| 11g(iii) |     |    |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? |    | (v) Did you notify the organization in col (i) of your support? |    | (vi) Is the organization in col (i) organized in the U S ? |    | (vii) Amount of monetary support |
|------------------------------------|----------|---|--|----|---|----|--|----|----------------------------------|
|                                    |          |   | Yes  | No | Yes   | No | Yes  | No |                                  |
|                                    |          |   |  |    |   |    |  |    |                                  |
|                                    |          |   |  |    |   |    |  |    |                                  |
| Total                              |          |   |  |    |   |    |  |    |                                  |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012



Part II

Support Schedule for Organizations Described in Sections 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
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 2012 (line 6, column (f) divided by line 11, column (f))	14					
15 Public support percentage for 2011 Schedule A, Part II, line 14	15					
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15		
16 Public support percentage from 2011 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17		
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.  
▶ See separate instructions.

OMB No 1545-0047

2012

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, Part V, line 35c (Proxy Tax), then

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

Name of the organization Mercy Hospital Inc	Employer identification number  04-3398280
--	--

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 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 function 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities?	Yes		25,994
j Total. Add lines 1c through 1i.				25,994
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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	The organization pays membership dues to the Massachusetts Hospital Association which engages in lobbying activities. A portion of these dues are attributable to lobbying activities.

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Mercy Hospital Inc	Employer identification number  04-3398280
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Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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 education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance	357,806	357,806	357,806	357,806
b	Contributions				
c	Net investment earnings, gains, and losses	41,439	996	35,065	27,185
d	Grants or scholarships				
e	Other expenditures for facilities and programs	41,439	996	35,065	27,185
f	Administrative expenses				
g	End of year balance	357,806	357,806	357,806	357,806

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment 100.000 %

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐

4

Describe in Part XIII 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	2,195,837		2,195,837
b	Buildings	80,359,899	37,169,493	43,190,406
c	Leasehold improvements	385,938	250,598	135,340
d	Equipment	121,175,620	96,591,722	24,583,898
e	Other	13,500,473	4,938,048	8,562,425
Total.	Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)			78,667,906





**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .		<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>		
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>		
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .		<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .		<b>4c</b>	
<b>5</b>	Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .		<b>5</b>	

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

<b>1</b>	Total expenses and losses per audited financial statements . . . . .		<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25			
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>		
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>		
<b>c</b>	Other losses . . . . .	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .		<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .		<b>4c</b>	
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . .		<b>5</b>	

**Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	Income from Endowment Funds are used to provide patient care

Additional Data

Software ID:  
Software Version:  
EIN: 04-3398280  
Name: Mercy Hospital Inc

Form 990, Schedule D, Part X, - Other Liabilities

1 (a) Description of Liability	(b) Book Value
Third Party Payor Settlements	12,301,906
Pension Liability	10,793,292
Workers Compensation Reserve	1,466,834
Other Reserve	1,165,311
Fixed Assets Retirement Obligation	1,052,504
Due to Related Parties	74,775
Other Liabilities	1,133,842
Health Claims Reserve	672,262
Long Term Swap Program Market Valuation	378,160

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," was it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other _____ 40000 0000000000 %  c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care  4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b		No
b	If "Yes," did the organization make it available to the public? . . . . .	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1) . . . . .			4,760,745	3,664,411	1,096,334	0 520 %
b Medicaid (from Worksheet 3, column a) . . . . .			48,257,754	44,719,603	3,538,151	1 670 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			5,490,003	3,674,822	1,815,181	0 860 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			58,508,502	52,058,836	6,449,666	3 050 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			1,947,196	10,857	1,936,339	0 920 %
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			81,288		81,288	0 040 %
j <b>Total.</b> Other Benefits . . . . .			2,028,484	10,857	2,017,627	0 960 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			60,536,986	52,069,693	8,467,293	4 010 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(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					
2	Economic development					
3	Community support					
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					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

2,704,545

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

0

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

73,455,106

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

56,784,874

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

16,670,232

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

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 Western Massachusetts PETCT imaging Center LLC	Diagnostic Imaging	50.000 %		
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—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Mercy Hospital Inc 271 Carew St Springfield, MA 011040000	X									

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Mercy Hospital Inc

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in its community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input type="checkbox"/> Uninsured discount			
<b>f</b> <input type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		<b>17</b>	No
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			



Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals 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)

Policy Relating to Emergency Medical Care

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

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?  
\_\_\_\_\_

Name and address	Type of Facility (describe)
1	
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		Part I, Line 3c Discounted care is FPG based on a sliding scale asfollows FPG range 201% to 250% - discount of 80% off gross chargesFPG range 251% to 300% - discount of 60% off gross chargesFPG range 301% to 350% - discount of 40% off gross chargesFPG range 351% to 400% - discount of 20% off gross charges
		Part I, Line 7 A cost-to-charge ratio was derived from Worksheet 2 to calculate the charity care and means-tested government program section The cost-to-charge ratio excludes bad debt expenses pursuant to the instructions

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad Debt expense included in Form 990, Part IX, Line 25, Column A is \$7,191,618 and has been removed prior to the calculation of Line 7, Column F pursuant to the instructions
		Part III, Line 4 A cost-to-charge ratio was derived from Worksheet A to calculate Part III, line 2 A study was conducted in which financial assistance applications, that were denied due to incomplete documentation, were assessed and were deemed eligible for financial assistance had the patient provided complete documentation Allowance for Uncollectibles The system provides an allowance for uncollectibles for estimated losses The allowance is determined by analyzing historical data and trends Accounts receivable are charged off against the allowance for uncollectibles when management determines that recovery is unlikely and the system ceases collection efforts

Identifier	ReturnReference	Explanation
		Part III, Line 8 The costing methodology utilized in the Medicare cost report is as follows Inpatient routine services are allocated on a basis of Medicare days to total days All other services are allocated on a cost-to-charge ratio
		Part III, Line 9b The same collection process is used for uninsured and insured patients, excluding those that are exempt from collection procedures pursuant to state regulations The collection process is as follows an initial bill is sent, followed by subsequent billings and various methods of notification including collection letters and telephone calls for a period of 120 days The EVS system is checked to ensure that the patient is not eligible for financial assistance A final notice by certified mail is sent for uninsured patients

Identifier	ReturnReference	Explanation
Mercy Hospital, Inc		Part V, Section B, Line 12h The hospital has a uniform mark up policy for all CDM gross charges regardless of whether or not the patient is FAP-eligible for emergency or other medically necessary care A patient is assessed for FAP eligibility based on FPL guidelines and if the patient qualifies then a discount or free care is applied against the account
Mercy Hospital, Inc		Part V, Section B, Line 20d The hospital has a uniform mark up policy for all CDM gross charges regardless of whether or not the patient is FAP-eligible for emergency or other medically necessary care A patient is assessed for FAP eligibility based on FPL guidelines and if the patient qualifies then a discount or free care is applied against the account

Identifier	ReturnReference	Explanation
		Part III, Section B Medicare, Line 5 The hospital received four prior year settlements, three of which were due to the hospital and one of which was due from the hospital, in the total net amount of \$2,493,001 during fiscal year 2012
		Part VI, Line 2 Every 3 years, the hospital conducts a community health needs assessment to study the health care needs of the surrounding communities in its primary service area The hospital's previous community health needs assessment was completed in 2010 in collaboration with Market Street Research, Inc of Northampton, MA This needs assessment was conducted to better understand the community health needs in the primary service area and to develop an effective implementation strategy to address priority needs Additionally, the hospital also has assessed community health needs to respond to community benefit regulatory requirements The 2010 assessment involved detailed compilations of secondary data on demographic and socioeconomic trends, focus groups with a sample of community leaders and a telephone survey of a random sample of residents living in the primary service area of the hospital The hospital's Community Benefit Work Group completed its 2013 Community Health Needs Assessment Report The hospital is a member of the Coalition of Western Massachusetts Hospitals, which also includes Baystate Medical Center, Baystate Franklin Medical Center, Baystate Mary Lane Hospital, Cooley Dickinson Hospital, Holyoke Medical Center, and Wing Memorial Hospital The Coalition of Western Massachusetts Hospitals collaborated to design the data collection process for their respective hospitals and to prepare their respective Community Health Needs Assessment Reports, engaging Verite Health Care Consulting, LLC and Community Health Advisors, LLC for technical assistance with data collection and analysis

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Patients are informed and educated regarding financial assistance in a number of ways General notices of financial assistance programs are posted throughout the hospital, primarily in the following areas service delivery areas, patient financial counselor areas, the central admission and registration areas, and business office areas open to patients Additionally, a general notice of program availability is included with the initial bill Financial counselors also work to identify available coverage options when scheduling services, while in the hospital, upon discharge, and for a reasonable time following discharge
		Part VI, Line 4 The Mercy Hospital, Inc is a Catholic, not-for-profit, acute care hospital located in Springfield, Massachusetts The service area consists largely of the cities and towns in Hampden County Hampden County has a population of 464,416, of which 30.5% live below 200% of the Federal Poverty Level Per capita income is \$19,541 and the unemployment rate is 10.4% The Hampden County population as a whole is diversifying, with 14% of its citizens comprising non-White groups in 2012 and 16% projected non-White groups by 2017 White non-Hispanic persons currently make up 72.6% of the population, Black non-Hispanic persons figure in at 8.1%, Hispanic persons are at 17% and persons of Asian heritage make up 1.7% of the county's population



Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 There are a number of ways in the hospital and its affiliates further tax exempt status by promoting the health of the community Here are three examples of community benefit programs and services delivered in 2012 The hospital's Healthcare for the Homeless Program provides community health outreach, free clinics, health screenings, primary care, case management, disease management and mental health services at 16 regional homeless shelters, soup kitchens and transitional living centers in Franklin, Hampshire and Hampden Counties In 2012, the Health Care for the Homeless Program documented 2,586 medical intakes, provided 10,839 medical encounters and enrolled 429 persons in MassHealth (Medicaid) The hospital's Vietnamese Health Project helps Vietnamese families and individuals through interpretive services, educational programs, case management, access to health insurance enrollment services and post-enrollment services Bilingual/bicultural case managers help caregivers and patients overcome language and cultural barriers and take clients to physician appointments and hospital visits In 2012, the Vietnamese Health Project provided services to 714 Vietnamese patients, in 3,148 medical encounters, and enrolled 499 individuals in MassHealth (Medicaid) Additionally, a total of 1,270 patients and family members attended a variety of the hospital's free psychosocial support groups, designed to help persons express their feelings, adapt to life-altering medical conditions and achieve their respective highest level of resilience Persons attending these support groups were directly impacted by diagnoses such as cancer, stroke, amputations, the death of a family member, aphasia, traumatic brain or spinal cord injuries</p>
		<p>Part VI, Line 6 The Mercy Hospital, Inc (d/b/a Mercy Medical Center, Providence Behavioral Health Center, Weldon Rehabilitation Hospital) is affiliated with the Sisters of Providence Health System (SPHS) The 19th century ministry of the Sisters of Providence is a profound legacy of compassion The Mission of SPHS is to be a transforming, healing presence in the communities we serve The primary function of the hospital is to serve as an acute care, Safety-Net Hospital and a Disproportionate Share Provider in Massachusetts The hospital is a 182-bed facility, offering inpatient and outpatient surgery, emergency care, intensive care, critical care, cardiac care, maternity services, cancer treatment, breast care, diagnostic imaging and community health Since 1873, SPHS has been the leading, mission-driven, faith-based, health system in Western Massachusetts, renowned for its unwavering passion and perseverance to provide high quality and affordable healthcare and social services, especially for persons who are most in need Today, SPHS employs nearly 3,200 people and provides for the community a patient-centered health care network, across a full continuum of care</p>

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	MA,AL,CT,DE,FL,GA,ME,NJ,NY,NC,PA
List of States Receiving Community Benefit Report	Part VI, Line 7	The organization files its seperate community benefit report with the Commonwealth of Massachusetts. Its community benefit activities are also included in CHE's consolidated report which is filed in Alabama, Connecticut, Delaware, Georgia, Maine, Massachusetts, New Jersey, New York, North Carolina and Pennsylvania.



Schedule J (Form 990)  <div>Department of the Treasury Internal Revenue Service</div>	Compensation Information  For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  ▶ <b>Complete if the organization answered "Yes" to Form 990, Part IV, question 23.</b>  ▶ <b>Attach to Form 990. ▶ See separate instructions.</b>	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization Mercy Hospital Inc	Employer identification number  04-3398280
--	--

Part I	Questions Regarding Compensation		Yes	No	
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items				
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div> <div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>				
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of 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 filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III				
	<div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div> <div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>				
	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			
	<div>a Receive a severance payment or change-of-control payment?</div> <div>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div> <div>c Participate in, or receive payment from, an equity-based compensation arrangement?</div>	4a	Yes		
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4b	Yes		
		4c		No	
5	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.				
	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of				
a	The organization?	5a		No	
b	Any related organization?	5b		No	
	If "Yes," to line 5a or 5b, describe in Part III				
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of				
a	The organization?	6a		No	
b	Any related organization?	6b		No	
	If "Yes," to line 6a or 6b, describe in Part III				
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations 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 duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(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 as deferred in prior Form 990
		(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, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II

Also complete this part for any additional information

Identifier	Return Reference	Explanation
	Part I, Line 1a	Monthly dues for SPHS's CEO were paid to the Colony Club
	Part I, Line 3	Mercy Hospital, Inc. relied on a related organization (Catholic Health East) that used one or more of the methods described below to establish the compensation for the President & CEO - Compensation committee - Written employment contract - Independent compensation consultant - Compensation survey or study - Approval by the board or compensation committee
Supplemental Information	Part III	Part I, Line 4a William Bithoney M.D. \$19,022 Severance Part I, Line 4b Leonard Pansa, \$12,797, Sharon Adams, \$13,190, Thomas Robert, \$13,800, Daniel Keenan, \$10,200, Scott Wolf, \$16,500 Part I, Line 6 The organization has an incentive pay program of which one criteria is based on the organization's operating results as compared to budget as well as other criteria which includes quality and patient satisfaction

**Software ID:**  
**Software Version:**  
**EIN:** 04-3398280  
**Name:** Mercy Hospital Inc

**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				
Daniel P Moen	(i)	0	0	0	0	0	0	0
	(ii)	437,756	173,872	155,968	11,250	23,949	802,795	0
Daniel Keenan	(i)	0	0	0	0	0	0	0
	(ii)	176,092	42,534	814	17,419	15,511	252,370	0
Thomas Robert	(i)	0	0	0	0	0	0	0
	(ii)	241,180	57,546	776	26,936	4,264	330,702	0
Leonard F Pansa	(i)	0	0	0	0	0	0	0
	(ii)	218,646	53,362	2,006	21,485	4,153	299,652	0
Scott Wolf	(i)	0	0	0	0	0	0	0
	(ii)	281,439	70,056	952	24,500	20,474	397,421	0
Sharon Adams	(i)	217,147	55,004	710	20,080	9,029	301,970	0
	(ii)	0	0	0	0	0	0	0
Mary Tarail	(i)	215,893	0	1,295	5,705	817	223,710	0
	(ii)	0	0	0	0	0	0	0
Harold Jordan	(i)	137,040	61,000	304	3,971	365	202,680	0
	(ii)	0	0	0	0	0	0	0
Nancy Dufault	(i)	234,352	0	179	3,572	12,212	250,315	0
	(ii)	0	0	0	0	0	0	0
Chhewang Norsang	(i)	193,771	10,000	407	0	12,871	217,049	0
	(ii)	0	0	0	0	0	0	0
Jaiteerth Avadhani	(i)	185,228	0	391	5,745	16,453	207,817	0
	(ii)	0	0	0	0	0	0	0
Lathleen Kane	(i)	156,088	0	122	7,193	12,199	175,602	0
	(ii)	0	0	0	0	0	0	0
William Bithoney MD	(i)	0	0	0	0	0	0	0
	(ii)	0	0	18,009	0	1,013	19,022	0

Schedule K  
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Mass HEFA 2007C	04-2456011	57586CXY6	04-19-2007	43,650,800	Advance Refunding		X		X		X
B Mass HEFA 2009	04-2456011	57586EGR6	03-19-2009	25,524,666	Current Refunding and Swap Transaction		X		X		X
C Mass HEFA 2010	04-2456011	57586ESB8	04-02-1975	14,311,512	Advance Refunding		X		X		X

Part II Proceeds

					A		B		C		D	
1	Amount of bonds retired				275,600		436,720		4,034,704			
2	Amount of bonds legally defeased				32,872,719							
3	Total proceeds of issue				43,650,800		25,524,666		14,311,512			
4	Gross proceeds in reserve funds											
5	Capitalized interest from proceeds											
6	Proceeds in refunding escrows				1,081,201							
7	Issuance costs from proceeds				394,769		457,023		207,225			
8	Credit enhancement from proceeds											
9	Working capital expenditures from proceeds				4,831,588		4,831,588					
10	Capital expenditures from proceeds											
11	Other spent proceeds				42,176,476		20,236,055		14,104,287			
12	Other unspent proceeds											
13	Year of substantial completion				2007		2009		2010			
					Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?					X	X		X			
15	Were the bonds issued as part of an advance refunding issue?				X			X		X		
16	Has the final allocation of proceeds been made?				X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?				X		X		X			

Part III Private Business Use

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



Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	%		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X	X		X			
b	Exception to rebate?		X		X		X		
c	No rebate due?	X			X		X		
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?		X		X		X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X			X		X		
b	Name of provider	Merrill Lynch Capital							
c	Term of hedge	21 600000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X		X		X			

Part VI

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

Identifier	Return Reference	Explanation
Schedule K Part IV, Arbitrage, Line 2c	Date Rebate Computation Performed	Issuer Name Mass HEFA 2007C Date the Rebate Computation was Performed 09/25/2012
Schedule K Supplemental Information		Schedule K, Supplemental Information Schedule K, Part I, Bond Issues (a) Issuer Name Mass HEFA 2009 (f) Description of Purpose Current refunding and swap termination Schedule K, Part III, Column B, line3a The organization has entered into various management and service contracts Collectively, these contracts do not constitute an amount of private business use that exceeds the prescribed percentage Schedule K, Part IV,Column A, Line 6 Proceeds are held in a yield restricted refunding escrow

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons  
▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V, line 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047  
**2012**  
Open to Public Inspection

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) New England Business Machines	John Sjoberg, Trustee is President & CEO of New England Business Machines	206,850	copier leases and related supplies		No
(2) Catuogno Court Reporting	Dean M Whalen, Esq, Trustee is key employee of Catuogno Court Reporting	341,349	medical records transcription services		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.  
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization Mercy Hospital Inc	Employer identification number 04-3398280
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Yes, Sisters of Providence Health System, Inc is the sole member

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Yes, Sisters of Providence Health System, Inc approves the appointment of the members of the governing body

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	CHE along with Sisters of Providence Health System, Inc have limited reserved powers to approve decisions of the governing body

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The organization took steps to educate management, members of the board and members of appropriate subcommittees of the board on the compliance requirements mandated by the Form 990. The form was prepared by Deloitte Tax LLP, reviewed by management and then presented to the Finance Committee, who reviewed the Form 990 at their meeting on November 5, 2013.



Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	<p>The organization has adopted CHE's Policy 103, which sets forth the organization's conflict-of-interest policy and processes. Annually, all those serving the organization in a fiduciary capacity, including directors, officers and key employees receive a copy of the policy and annual disclosure statement to be completed. Disclosures of financial interest or other reportable circumstances as defined in the policy are submitted and reviewed by the organization's CEO and board's chair. Summary information is reported to the entire board and available to the board throughout the year as business comes before the board or management for action. The policy contains a continuing affirmative obligation on all affected individuals to disclose compensation or other circumstances throughout the year which may rise to the level of an actual or apparent conflict. The determination of whether a disclosed financial or other interest constitutes a conflict of interest is made by the board or an appropriate committee thereof comprised of disinterested persons and without the participation of the affected individual except to respond to questions about the disclosure. The policy further addresses the procedure for the board's further consideration of the proposed transaction/matter without the participation of the affected person and the documentation of the proceedings. Lastly, the policy addresses potential disciplinary action for violations of the policy. The policy is available to the public upon request.</p>

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	As indicated on Schedule J, Part III, the compensation for the organization's President & CEO is determined by CHE. For other employees, the organization has adopted CHE's process for determining compensation which includes the following: The board has an independent committee review and approve all elements of remuneration for all disqualified parties, as well as other key management. The board/committee has an established compensation philosophy which details the objectives of market positioning and pay elements. The committee engages with external consultants to provide market data comparing Mercy Hospital, Inc.'s roles to similarly sized foundations utilizing both title and job content comparisons. The committee reviews the market analysis, approves any salary adjustments for the executive population, considers both reasonableness and effectiveness of all remunerative programs and establishes the detailed performance expectations which are incorporated into the incentive plan. All of these discussions and decisions are documented through the provision of meeting minutes.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Organizational Articles of Incorporation, Corporate By-laws, governance policies believed to be of interest to the public, conflict-of-interest policy, annual community benefit report and IRS Form 990 are available to the public upon request

Identifier	Return Reference	Explanation
Other Fees	Form 990, Part IX, line 11g	Lab fees Program service expenses 9,640,014 Management and general expenses 0 Fundraising expenses 0 Total expenses 9,640,014 Purchased Services Program service expenses 8,056,562 Management and general expenses 169,997 Fundraising expenses 0 Total expenses 8,226,559 Temporary Help Agency Program service expenses 2,489,240 Management and general expenses 457,510 Fundraising expenses 0 Total expenses 2,946,750 Other expenses Program service expenses 2,530,669 Management and general expenses 1,908,308 Fundraising expenses 0 Total expenses 4,438,977

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Transfers for capital expenditures 500,756 Pension adjustment 47,886 Released from restriction -554,716 Other 28,563

Identifier	Return Reference	Explanation
Explanation of financial statements	Form 990, Part XII, Line 2b & 2c	While the entity does not have individual audited financial statements, an audit of Sisters of Providence Health System, Inc 's consolidated financial statement w as performed, limited in scope, and included in CHE's consolidated financial statements

Identifier	Return Reference	Explanation
		Disclosure Statement Related to Form 5471 Filed by Catholic Health East and Saint Michael's Medical Center Under the constructive ownership rule of Internal Revenue Code Sections 318(a) and 958(b), the organization is required to file Form 5471, Information Return of U S Persons With Respect to Certain Foreign Corporations, as a Category 4 and/or Category 5 filer with respect to Stella Maris Insurance Company Limited and Chestnut Risk Services, LTD (collectively, the "foreign corporations") This filing requirement is, or will be, satisfied through the filing of Forms 5471 with respect to the foreign corporations on the organization's behalf by the U S organizations identified below Foreign Corporation Stella Maris Insurance Company U S Organization Catholic Health East Address 3805 West Chester Pike, Suite 100, Newtown Square, Pennsylvania 19073 Identifying Number of U S Tax Return with Which Form 5471 was filed 23-2929748 IRS Service Center Where U S Return Was Filed Ogden, UT Foreign Corporation Chestnut Risk Services, LTD U S Organization Saint Michael's Medical Center Address 111 Central Avenue, Newark, New Jersey 07102 Identifying Number of U S Tax Return with Which Form 5471 was filed 26-2616046 IRS Service Center Where U S Return Was Filed Ogden, UT

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

2012

Open to Public Inspection

Name of the organization  
Mercy Hospital Inc

Employer identification number  
04-3398280

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) 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) Seton Real Estate Holdings 1300 Massachusetts Avenue Troy, NY 12180 32-0393870	Management Real Estate	NY			Seton Health System Inc

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity?	
						Yes	No
See Additional Data Table							



Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
See Additional Data Table												

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

Yes

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

No

1m

Yes

1n

No

1o

No

1p

Yes

1q

Yes

1r

No

1s

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-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

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

[illegible]

Software ID:

Software Version:

EIN: 04-3398280

Name: Mercy Hospital Inc

Part VII

Supplemental Information

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

Identifier		Return Reference		Explanation							
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Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
St Peter's Ambulatory Surgery Center LLC  1375 Washington Avenue Ste 201 Albany, NY 12206 46-0463892	Outpatient Surgery	NY	N/A									
Catherine Horan Building Limited Partnership  1221 Main Street Room 108 Holyoke, MA 010400000 04-2723429	Property Management	MA	Catherine Horan Building Corporation	Rental	1,440	2,619,142		No		Yes		1 000 %
Western Massachusetts PETCT Imaging Center LLC  100 Bayview Circle Ste 400 Newport Beach, CA 92660 20-4744663	Outpatient Medical Services	DE	Mercy Hospital Inc	Related	266,741	380,421		No		Yes		50 000 %
Central New Jersey Heart Services LLC  29 E 29th Street 2nd Floor Bayonne, NJ 07002 20-8525458	Cardiac Program	NJ	N/A									
SMMC MOB II LP  1201 Langhorne-Newtown Road Langhorne, PA 19047 36-4559869	Investment and operation of a medical building	PA	N/A									
The Ambulatory Surgery Center at St Mary LLC  1203 Langhorne-Newtown Road Langhorne, PA 19047 23-2871206	Outpatient Surgery	PA	N/A									
East Norriton Medical Associates  One West Elm Street Conshohocken, PA 19428 23-2319531	Medical Office Building	PA	N/A									
East Norriton Medical Associates  One West Elm Street Conshohocken, PA 19428 23-2319531	Medical Office Building	PA	N/A									
Gateway Health Plan  300 Grant Street Pittsburgh, PA 15219 25-1691945	Medicaid & Medicare/Special Needs Managed Care Organization	PA	N/A									
MercyManor Partnership  PO Box 10086 Toledo, OH 436990086 52-1931012	Nursing Home	PA	N/A									
St Agnes Long Term Intensive Care LLP  c/o Mercy Health System One West El Conshohocken, PA 19428 20-0984882	Long Term Intensive Care	PA	N/A									
St Agnes Long Term Intensive Care LLP  c/o Mercy Health System One West El Conshohocken, PA 19428 20-0984882	Long Term Intensive Care	PA	N/A									
Nazareth Medical Office Building Associates LP  c/o Nazareth Hospital 2601 Holme Av Philadelphia, PA 19152 23-2388040	Medical Office Building	PA	N/A									
Nazareth Medical Office Building Associates LP  c/o Nazareth Hospital 2601 Holme Av Philadelphia, PA 19152 23-2388040	Medical Office Building	PA	N/A									
SJV Management LLC  200 Century Pkwy Ste 200E Mount Laurel, NJ 08054 20-2273476	Radiology	NJ	N/A									

**Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership**[illegible]

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	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Samaritan Medical Office Building Inc  2212 Burdett Avenue Troy, NY 12180 14-1607244	Real Estate	NY	N/A	C				Yes	
Affiliated Management Services Corporation Inc  1300 Massachusetts Avenue Troy, NY 12180 14-1668024	Real Estate	NY	N/A	C				Yes	
Catherine Horan Building Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-2938160	Building Management	MA	Mercy Hospital Inc	C	111,207	175,044	100 000 %	Yes	
Diversified Community Services Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-3128890	Medical Services	MA	Mercy Hospital	C			100 000 %	Yes	
Mercy Inpatient Medical Associates Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-3029929	Medical Services	MA	Mercy Hospital	C	-6,327,852	1,323,087	100 000 %	Yes	
Providence Home Care Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-3317426	Health Care Services	MA	Mercy Hospital	C	1,357,323	15,920,171	100 000 %	Yes	
System Coordinated Services Inc  c/o SPHS 1221 Main Street Suite 108 Holyoke, MA 010400000 04-2938181	Lab Services	MA	Mercy Hospital	C	1,425,584	18,126,426	100 000 %	Yes	
Physicians Medical Office Building Condominium Trust  1221 Main Street Room 108 Holyoke, MA 010400000 04-6608649	Property Management	MA	N/A	C				Yes	
SJM Properties Inc  411 Canisteo Street Hornell, NY 148482101 16-1294991	Property Holdings	NY	N/A	C				Yes	
Carbondale Area Physicians' Association PC  100 Lincoln Ave Carbondale, PA 18407 23-2801677	Medical Insurance Contracting	PA	N/A	C				Yes	
Carbondale Area Physicians' PHO Inc  100 Lincoln Ave Carbondale, PA 18407 23-2801676	Inactive	PA	N/A	C				Yes	
Carbondale Physicians' Services Inc  100 Lincoln Ave Carbondale, PA 18407 23-2365077	Pharmacy	PA	N/A	C				Yes	
Chestnut Risk Services Ltd  11 Victoria Street Hamilton BD	Insurance	BD	N/A	C				Yes	
LifeCare Physicians PC  601 Hamilton Avenue Trenton, NJ 086291986 26-1649038	Health Care Services	NJ	N/A	C				Yes	
Multicare Plus Inc  601 Hamilton Avenue Trenton, NJ 086291986 22-3435844	Inactive	NJ	N/A	C				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	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Langhorne Services II Inc  1201 Langhorne- Newtown Road Langhorne, PA 19047 25-3795549	General Partner of LMOB Partners, II	PA	N/A	C				Yes	
Langhorne Services Inc  1201 Langhorne- Newtown Road Langhorne, PA 19047 23-2625981	General Partner of LMOB Partners,	PA	N/A	C				Yes	
Gateway Health Plan Inc  600 Grant Street Pittsburgh, PA 15219 25-1505506	Health Care	PA	N/A	C				Yes	
Gateway Health Plan Inc of Ohio  600 Grant Street Pittsburgh, PA 15219 30-0282076	Health Care	PA	N/A	C				Yes	
MCMC Eastwick Inc  c/o MHS One West Elm Street Conshohocken, PA 19428 23-2184261	Medical Office Buildings	PA	N/A	C				Yes	
Health Management Services Org Inc  500 Grove Street Suite 100 Haddon Heights, NJ 08035 22-3366580	Health Care Billing	NJ	N/A	C				Yes	
Lourdes Medecal Associates PA  500 Grove Street Suite 100 Haddon Heights, NJ 08035 22-3361862	Medical Services	NJ	N/A	C				Yes	
Jeannette Medical Providers  3805 West Chester Pike Newtown Square, PA 19073 25-1787334	Holding Company	PA	N/A	C				Yes	
Jeannette OBGYN Group 1 Inc  3805 West Chester Pike Newtown Square, PA 19073 23-2890748	Holding Company	PA	N/A	C				Yes	
Jeannette Primary Care Group 1 Inc  3805 West Chester Pike Newtown Square, PA 19073 23-2890743	Holding Company	PA	N/A	C				Yes	
Georgia Health Enterprises LLC  1230 Baxter Street Athens, GA 30606 54-1806329	Healthcare	GA	N/A	C				Yes	
St Mary's Highland Hills Village Inc  1660 Jennings Mill Pkly Bogart, GA 30622 58-2276801	Assisted Living	GA	N/A	C				Yes	
GHE Physicians PC  3500 Piedmont Road Atlanta, GA 30305 58-2277939	Practice Management	GA	N/A	C				Yes	
Nursing Network Inc  4725 North Federal Highway Fort Lauderdale Highwa, FL 333080000 59-1145192	Medical Services	FL	N/A	C				Yes	
Mercy Physician Group Inc  3663 South Miami Avenue Miami, FL 33133 20-2970015	Health Care	FL	N/A	C				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	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Stella Maris Insurance Company Limited  PO Box 69 Grand Cayman, Cayman Islands KY1-1102 CJ 98-0078266	Insurance	CJ	N/A	C				Yes	
Catholic Health East Senior Services  3805 West Chester Pike Suite 100 Newtown Square, PA 19073 37-1572595	Senior Services	PA	N/A	C				Yes	



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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Sisters of Providence Health System Inc	A	38,162	Fair Market Value
System Coordinated Services Inc	J	113,976	Fair Market Value
Brightside Inc	J	83,935	Fair Market Value
Mercy Inpatient Medical Associates Inc	J	53,205	Fair Market Value
System Coordinated Services Inc	K	144,091	Fair Market Value
System Coordinated Services Inc	M	9,639,006	Fair Market Value
Sisters of Providence Health System Inc	P	21,562,382	Fair Market Value
Sisters of Providence Health System Inc	Q	72,120	Fair Market Value

# **Catholic Health East**

**Consolidated Financial Statements  
December 31, 2012 and 2011**

**Catholic Health East**  
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**December 31, 2012 and 2011**

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## Report of Independent Auditors

To the Board of Directors  
Catholic Health East

We have audited the accompanying consolidated financial statements of Catholic Health East and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated entities which statements reflect net assets of \$59,001,000 and \$77,471,000 as of December 31, 2012 and 2011, respectively, and excess of revenues over expenses of \$21,530,000 and \$12,508,000 for the years then ended. In addition, we did not audit the financial statements of certain unconsolidated entities which are represented in the following consolidated financial statements for 2012 and 2011 as investments in unconsolidated organizations of \$1,575,944,000 and \$1,275,608,000 as of December 31, 2012 and 2011, respectively, and equity in earnings of unconsolidated organizations of \$161,808,000 and \$146,038,000 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Opinion***

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, the results of their operations and their cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America

### ***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The social accountability information and the consolidating information are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities; accordingly, we do not express an opinion on the financial position and results of operations of the individual entities. The social accountability information and the consolidating information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The social accountability information and consolidating information have 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 of America. In our opinion, the social accountability information and consolidating information are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

April 30, 2013

**Catholic Health East**  
**Consolidated Balance Sheets**  
**Years Ended December 31, 2012 and 2011**

*(in thousands of dollars)*

	2012	2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$368,351	\$576,447
Investments	154,115	130,636
Marketable securities whose use is limited	18,106	10,218
Patient accounts receivable, net of estimated uncollectibles of \$319,035 and \$297,799 for 2012 and 2011, respectively	426,227	410,575
Collateral received on securities pledged	67,972	130,364
Other accounts receivable	118,744	106,512
Prepaid expenses and inventories	104,604	102,134
Assets held for sale	69,159	84,299
Total current assets	1,327,278	1,551,185
Marketable securities and investments whose use is limited		
Board-designated funds	300,328	340,757
Trustee-held funds	82,743	174,153
Donor-restricted funds	111,545	126,342
Investments	598,431	429,975
Total marketable securities and investments whose use is limited	1,093,047	1,071,227
Property and equipment, net	1,879,120	1,774,277
Equity investments in managed funds	334,721	246,270
Investments in unconsolidated organizations	1,616,988	1,450,068
Assets held for sale	267,203	389,174
Goodwill	32,852	10,470
Other assets	206,282	189,695
Total assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$97,365	\$60,422
Portion of variable rate demand obligations classified as current	29,325	10,492
Accounts payable and accrued expenses	453,969	433,708
Collateral due broker on securities pledged	67,972	130,364
Estimated third party payor settlements, net	102,096	104,453
Other	152,659	164,851
Liabilities held for sale	101,105	115,605
Total current liabilities	1,004,491	1,019,895
Long-term debt, net	1,151,590	1,223,524
Other liabilities	149,397	139,869
Pension liabilities	417,481	438,537
Insurance liabilities, net of current portion	284,966	299,960
Other liabilities related to assets held for sale	318,811	326,593
Deferred revenue from entrance fees	91,059	92,085
Total liabilities	3,417,795	3,540,463
Net assets		
Unrestricted	3,146,859	2,954,583
Temporarily restricted	143,010	140,614
Permanently restricted	49,827	46,706
Total net assets	<u>3,339,696</u>	<u>3,141,903</u>
Total liabilities and net assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>

The accompanying notes are an integral part of the consolidated financial statements

# Catholic Health East

## Consolidated Statements of Operations

### Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
<b>Unrestricted revenue, gains and other support</b>		
Net patient service revenue, net of bad debt expense of \$234,952 and \$225,812 for 2012 and 2011, respectively	\$3,877,621	\$3,355,034
Other operating revenue, gains and other support	357,420	291,078
Total unrestricted revenue, gains and other support	<u>4,235,041</u>	<u>3,646,112</u>
<b>Expenses</b>		
Salaries, wages and benefits	2,298,084	1,954,805
Medical supplies	560,708	510,213
Purchased services, professional fees and other expenses	966,244	846,914
Depreciation and amortization	190,360	159,045
Interest	44,102	39,635
Insurance	57,066	45,451
Total expenses	<u>4,116,564</u>	<u>3,556,063</u>
Operating income before losses from St. Joseph's Health System	118,477	90,049
Losses from Saint Joseph's Health System	-	(31,249)
Operating income (including losses from St. Joseph's Health System)	<u>118,477</u>	<u>58,800</u>
<b>Non-operating gains (losses)</b>		
Investment returns, net	97,873	9,099
Equity in gains in earnings of unconsolidated organizations	135,405	90,258
Impairment losses	-	(4,571)
Gain on sale of assets	27,931	100,707
Unrestricted contribution income - St. Peter's Health Partners	-	322,947
Other non-operating losses	-	(474)
Loss on extinguishment of debt	(2,908)	(539)
Change in fair value of interest rate swaps	6,424	(1,232)
Total non-operating gains	<u>264,725</u>	<u>516,195</u>
Excess of revenue over expenses	<u>\$383,202</u>	<u>\$574,995</u>

The accompanying notes are an integral part of the consolidated financial statements

# Catholic Health East

## Consolidated Statements of Changes in Net Assets

### Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
<b>Unrestricted net assets</b>		
Excess of revenue over expenses	\$383,202	\$574,995
Change in unrealized gains (losses) on available-for-sale securities	3,553	(3,638)
Decrease in pension liability adjustment - consolidated organizations	(15,219)	(143,002)
Decrease in pension liability adjustment - unconsolidated organizations	(8,875)	(30,485)
Net assets released from restriction for capital expenditures	10,418	35,478
Other changes	(9,032)	12,077
Increase in unrestricted net assets before discontinued operations	364,047	445,425
Loss from discontinued operations	(171,771)	(74,880)
Increase in unrestricted net assets	192,276	370,545
<b>Temporarily restricted net assets</b>		
Contributions	22,078	24,838
Investment income	1,272	685
Change in unrealized gains (losses) on investments	4,800	(648)
Net assets released from restrictions	(25,000)	(42,720)
Temporarily restricted contribution income - St. Peter's Health Partners	-	33,202
Other changes	(754)	(6,547)
Increase in temporarily restricted net assets	2,396	8,810
<b>Permanently restricted net assets</b>		
Contributions	670	75
Change in realized and unrealized gains on investments	1,248	147
Permanently restricted contribution income - St. Peter's Health Partners	-	18,670
Other changes	1,203	(656)
Increase in permanently restricted net assets	3,121	18,236
Increase in net assets	197,793	397,591
<b>Net assets</b>		
Beginning of year	3,141,903	2,744,312
End of year	<u>\$3,339,696</u>	<u>\$3,141,903</u>

The accompanying notes are an integral part of the consolidated financial statements



# Catholic Health East

## Consolidated Statements of Cash Flows

### Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
<b>Cash flows from operating activities</b>		
Increase in net assets	\$197,793	\$397,591
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from discontinued operations	171,771	74,880
Pension adjustment, including unconsolidated organizations	24,094	173,487
Loss on extinguishment of debt	2,908	539
Contribution income from contributed assets - St Peter's Health Partners	-	(374,819)
Depreciation and amortization	190,360	159,045
Amortization of deferred entrance fees	(5,912)	(6,309)
Net realized gains on investments	(16,745)	(32,497)
Net unrealized (gains) losses on investments	(70,113)	23,379
Equity in earnings of unconsolidated organizations	(183,469)	(158,028)
Provision for bad debts	234,952	225,812
(Increase) decrease in market value of interest rate swaps	(6,424)	1,232
Restricted contributions and investment income received	(24,020)	(25,098)
Gain on sale of assets	(27,931)	(100,707)
Return on investment in health plan equity interests	7,674	34,643
Entrance fees received, net of refunds	4,886	1,635
Change in certain assets and liabilities		
Accounts receivable	(250,604)	(203,814)
Other receivables	(12,231)	47,776
Prepaid expenses, inventories and other assets	(19,057)	(69,866)
Assets held for sale	32,110	(25,475)
Accounts payable, accrued expenses and other current liabilities	20,261	(17,232)
Third party payables	(2,357)	20,430
Insurance and other liabilities	(33,516)	25,508
Pension liability	(36,275)	(33,439)
Net cash used in operating activities of discontinued operations	(66,771)	(83,109)
Net cash provided by operating activities	<u>131,384</u>	<u>55,564</u>
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(382,619)	(193,905)
Cash contributed to St Joseph's / Emory Healthcare Joint Operating Agreement	-	(57,117)
Cash received from St Peter's Health Partners transaction	-	123,441
Proceeds from sale of health plan equity interests	-	194,000
Proceeds from sale of assets - Mercy Miami and Mercy Medical	-	144,000
Physician practice and surgery center acquisitions, net of cash	(22,382)	(10,438)
Posted collateral on interest rate swaps	-	(753)
Decrease (increase) in collateral received on securities pledged	62,392	(95,260)
(Purchases) sales of investments, managed funds and marketable securities whose use is limited, net	(54,780)	111,999
Proceeds from sale of assets	40,524	-
Net cash provided by (used in) investing activities of discontinued operations	87,374	(1,934)
Net cash (used in) provided by investing activities	<u>(269,491)</u>	<u>214,033</u>
<b>Cash flows from financing activities</b>		
Proceeds from restricted contributions and investment income received	24,020	25,098
Proceeds from issuance of long-term debt	201,450	51,045
Change in variable rate demand obligations classified as current	18,833	(12,186)
Repayments of long-term debt	(245,651)	(166,953)
(Decrease) increase in payable under collateral received on securities pledged	(62,392)	95,260
Net cash (used in) provided by financing activities of discontinued operations	(6,249)	3,884
Net cash used in financing activities	<u>(69,989)</u>	<u>(3,852)</u>
(Decrease) increase in cash and cash equivalents	<u>(208,096)</u>	<u>265,745</u>
Cash and cash equivalents		
Beginning of year	576,447	310,702
<b>End of year</b>	<u><u>\$368,351</u></u>	<u><u>\$576,447</u></u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$46,683	\$44,127
Non-cash transaction	\$5,556	\$8,777

The accompanying notes are an integral part of the consolidated financial statements

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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#### 1. Organization and Mission Basis of Presentation

Catholic Health East ("CHE", the "System", or the "Company") was incorporated as a Pennsylvania nonprofit corporation on October 1, 1997. CHE is a catholic, multi-facility health system sponsored by seven religious congregations and Hope Ministries. Each sponsoring congregation appoints a representative to the Sponsors Council which maintains certain reserve powers, including the election of the CHE Board of Directors. CHE serves to carry out the health care ministries of the sponsoring congregations. The mission of CHE is to be a community of persons committed to being a transforming, healing presence within the communities it serves.

The consolidated financial statements of CHE include activities of its Regional Health Corporations ("RHCs") and related component corporations all of which are wholly or majority owned. These RHCs are located throughout eleven states and the healthcare activities provided by these RHCs include, but are not limited to, general acute care hospitals, long-term care facilities, skilled nursing facilities, behavioral health, residential facilities for the elderly, physician services, home health, outpatient surgery, and other services. A list of the name and location of each RHC is provided below.

Mercy Health System of Maine Portland, Maine	Sisters of Providence Health System, Inc Springfield, Massachusetts
Mercy Community Health, Inc West Hartford, Connecticut	St. Peter's Health Partners Albany, New York
St. James Mercy Health System, Inc Hornell, New York	St. Francis Medical Center Trenton, New Jersey
Saint Michael's Medical Center Newark, New Jersey	Lourdes Health System Camden, New Jersey
St. Mary Medical Center Langhorne, Pennsylvania	Pittsburgh Mercy Health System, Inc Pittsburgh, Pennsylvania
Mercy Health System of Southeastern Pennsylvania Conshohocken, Pennsylvania	Saint Joseph of the Pines, Inc Southern Pines, North Carolina
St. Francis Hospital and Affiliates Wilmington, Delaware	Saint Joseph's Health System, Inc Atlanta, Georgia
St. Mary's Health Care System, Inc Athens, Georgia	Mercy Hospital, Inc Miami, Florida
Mercy Medical Corporation Daphne, Alabama	Holy Cross Hospital, Inc Fort Lauderdale, Florida

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code

CHE and its RHCs also participate in various joint ventures and partnerships, commonly referred to as joint operating agreements. These arrangements enable CHE to provide healthcare services to the broader community through involvement in larger healthcare organizations or systems

## **2. Summary of Significant Accounting Policies**

### **Basis of Consolidation**

The consolidated financial statements of CHE include the financial information of the RHCs and component corporations, the System's wholly owned captive insurance company, various philanthropic foundations of which the System maintains control, and various other organizations or corporations. All significant inter-company balances and transactions have been eliminated

### **Use of Estimates**

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the consolidated financial statements including, but not limited to, recognition of net patient service revenue, which includes contractual allowances and provisions for bad debt, estimates for healthcare professional and general liabilities, determination of fair values of certain financial instruments, and assumptions for measurement of pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ materially from these estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include liquid investments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value.

### **Investments and Investment Income**

Investments in marketable equities with readily determinable fair market values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Equity investments in managed funds, private partnerships, and other investments are accounted for under the equity method, which approximates fair value. Realized gains and losses on investments, unrealized gains and losses on trading securities, interest income (net of investment-related expenses), and dividends are included in investment returns, net, as part of non-operating gains and (losses) in the excess of revenue over expenses. Investment income restricted by donors or law is reported as an increase in temporarily or permanently restricted net assets.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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The System's investments and marketable securities whose use is limited are invested and managed through the CHE Consolidated Investment Program (the "CIP Program"), and some investments are locally managed by the RHCs. Included in these investments are investments in managed funds, private partnerships, and other investments. The income (loss) from these managed funds is included in investment returns, net, in the accompanying consolidated statement of operations and change in net assets.

The System classifies all unrestricted investments as trading securities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated balance sheets and statements of operations and change in net assets.

#### **Marketable Securities and Investments Whose Use Is Limited**

Marketable securities and investments whose use is limited primarily include marketable securities and investments designated by governance for future capital improvements and other purposes, in accordance with agreements with outside parties, by trustees under bond indenture agreements, self-insurance arrangements, and by donor restrictions.

#### **Derivative Financial Instruments**

The System recognizes all derivative instruments in the balance sheets at fair value. The change in the fair value of derivatives is recognized as a component of excess of revenues over expenses in the consolidated statements of operations for the years ended December 31, 2012 and 2011.

#### **Inventories**

Inventory is valued at the lower of cost (first-in, first-out) or market, net of reserves for obsolescence.

#### **Assets Held for Sale**

CHE has classified certain long-lived assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. CHE has classified \$336,362,000 and \$473,473,000 as held for sale at December 31, 2012 and 2011, respectively. The Company has also classified \$419,916,000 and \$442,198,000 at December 31, 2012 and 2011, respectively, as liabilities related to assets held for sale.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is expensed over the estimated useful life of each class of depreciable assets and is computed using the straight-line method based on the following estimated useful lives:

Building and Improvements	5-40 years
Leasehold improvements	3-20 years
Equipment	3-20 years

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

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

#### **Goodwill**

CHE records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company's goodwill and other intangible assets with indefinite lives are not amortized; rather, they are tested for impairment, at least annually, through a process which first evaluates any triggering event associated with an impairment, and, second, an actual measurement of the impairment, if necessitated. The Company recorded goodwill additions of \$22,382,000 in 2012 related to acquisitions of physician practices and an ambulatory surgery center. The Company did not record any impairment to goodwill in 2011 or 2012.

#### **Long-Lived Assets**

CHE evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the System will recognize an impairment loss for the difference. Fair value is based on the exchange price that would be received for an asset or paid to transfer a liability. In 2012, the System recorded an impairment loss of long-lived assets of \$105,000,000 related to Saint Michael's Medical Center. These assets are classified as held for sale as of December 31, 2012 and the impairment loss is included in losses from discontinued operations in the statement of operations and changes in net assets. The System recognized impairment losses of \$4,571,000 for the year ended December 31, 2011.

#### **Investments in Unconsolidated Organizations**

Investments in unconsolidated organizations represent CHE investments in joint operating agreements, joint ventures, or partnerships. The equity method is used to account for these investments.

#### **Deferred Revenue from Advance Fees**

Certain RHCs operate residential facilities for the elderly. Fees paid by residents upon entering into continuing care contracts, net of the portion that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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#### **Accrued Paid Time Off**

CHE records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods

#### **Deferred Debt Issuance Costs**

Deferred debt issuance costs included in other assets at December 31, 2012 and 2011, totaling \$14,222,000 and \$18,240,000, respectively, are amortized using the straight-line method over the life of the related debt, which approximates the effective interest method

#### **Temporarily and Permanently Restricted Net Assets**

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

#### **Net Patient Service Revenue**

Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to the hospitals at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from established charges, and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined

#### **Allowance for Doubtful Accounts**

The System records an allowance for doubtful accounts for estimated losses resulting from non-payment for services from patients or payors. Management routinely evaluates patient account collection history in determining the sufficiency of the allowance for doubtful accounts and provision for bad debts. The allowance for doubtful accounts for those patients with third-party insurance is determined based on contractual agreements with payors. The provision for bad debts for uninsured patients is based on historical collection experience. Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and collection efforts cease

#### **Charity Care**

CHE provides services to all patients regardless of ability to pay. In accordance with the System's policy, a patient is classified as a charity patient based on income eligibility criteria as established by the *Federal Poverty Guidelines*. Charges for services to patients who meet the System's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The costs (direct and indirect) associated with these services for charity care provided by the System approximate \$435,914,000 and \$339,190,000 in 2012 and 2011, respectively. These amounts do not include bad debt expense totaling \$234,952,000 and \$225,812,000 in 2012 and 2011, respectively, which is reflected separately in the consolidated statements of operations. The costs and provisions for bad debts do not include amounts classified as discontinued operations. Charity care data for services provided is based on the cost of patient care services with costs being determined by application of the standard cost-to-charge ratio

#### **Other Operating Revenue**

Other revenue is derived from services other than the provision of health care services or coverage to patients or residents. This revenue consists primarily of federal and state grants, unrestricted contributions, incentive payments received for meeting Federal and State Electronic Health Record meaningful use requirements, rental income, income from health plan operations, support services,

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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parking garages, gift shop income, cafeteria income, maintenance fee income, foundation investment income, and other miscellaneous income

#### **Non-Operating Gains (Losses)**

Non-operating gains (losses) consist primarily of investment returns, which include investment income, dividends, net unrealized gains (losses) on trading securities, and realized gains and losses on trading securities, equity in earnings of unconsolidated organizations, restructuring expenses and impairment losses, losses on extinguishment of debt, contribution income for contributed assets, gains on the sale of assets, and the change in the fair value of interest rate swaps

#### **Excess of Revenue over Expenses**

The statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses include unrealized gains and losses on available for sale investments of unconsolidated organizations, permanent transfers of assets to and from affiliates for other than goods and services, pension adjustments, the cumulative effect of change in accounting principle, discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

#### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

#### **Income Taxes**

Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting guidance for income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact from this guidance on CHE's consolidated financial statements during the years ended December 31, 2012 and 2011.

#### **Adoption of Accounting Pronouncements**

On January 1, 2012, the Company adopted FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, the Provision for Bad Debts, and Allowance for Doubtful Accounts*. This guidance requires the Company to modify the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about the Company's policies for recognizing revenue and assessing bad debts, patient service revenue (net of

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement-Topic 820 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between US GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 was effective during the fiscal year ended December 31, 2012 and is applied prospectively. The adoption of ASU 2011-04 did not have a material effect on CHE's financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which prohibits the offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, that requires health care entities to use cost as the measurement basis for charity care disclosures and defines cost as the direct and indirect costs of providing charity care. The accompanying notes to the consolidated financial statements reflect the amended disclosure requirements. The cost of caring for charity care patients is disclosed in the social accountability supplemental schedule. The cost of charity care provided to patients is disclosed in the supplementary financial information schedule that accompanies these financial statements. This guidance amended disclosure requirements only; therefore, there was no impact to the Company's consolidated financial statements upon adoption.

#### **Reclassifications**

Certain amounts have been reclassified in the prior year's financial statements to conform to the classifications used in the current year.

### **3. Net Patient Service Revenue**

Net patient service revenue from the Medicare and Medicaid programs, exclusive of managed care, accounted for approximately 34.3% and 10.7%, respectively, of total net patient service revenues in 2012, and 29.0% and 9.6%, respectively, of total net patient service revenue in 2011. Compliance with laws and regulations governing the Medicare and Medicaid programs are 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.

Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors. Estimated net settlements related to Medicare and Medicaid, collectively, of \$70,327,000 and \$65,225,000 in 2012 and 2011, respectively, are included as a component of current liabilities in the accompanying consolidated balance sheets. The amounts recorded for these estimated settlements approximate their fair value.

Net patient service revenue includes approximately \$15,922,000 and \$4,170,000 in 2012 and 2011, respectively, related to favorable changes in estimates for prior year cost report reopenings, appeals, and tentative and final cost reports, of which some are still subject to audit, additional reopening, and/or appeals.



**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
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The Company recognizes patient service revenue associated with services provided to patients who have third-party insurance based on contractual agreements with payers. For uninsured patients who do not qualify for charity care, the Company recognizes revenue based on a self pay discount policy. The Company records a provision for bad debts based on historical collection experience. The following summarizes net patient service revenue for the years ended December 31.

*(in thousands of dollars)*

	<b>2012</b>		<b>2011</b>	
	<b>Gross</b>		<b>Gross</b>	
	<b>Charges</b>	<b>Deductions</b>	<b>Charges</b>	<b>Deductions</b>
Medicare	\$5,618,273	\$4,310,978	\$5,007,959	\$3,908,977
Medicaid	1,335,423	911,835	1,365,156	1,027,660
Managed care and other	7,108,836	4,946,267	6,441,040	4,483,612
Uninsured	811,709	592,588	674,909	487,969
	<u>\$14,874,241</u>	<u>10,761,668</u>	<u>\$13,489,064</u>	<u>9,908,218</u>
Provision for bad debts		234,952		225,812
Net patient service revenue		<u>\$3,877,621</u>		<u>\$3,355,034</u>

**4. Marketable Securities and Investments Whose Use Is Limited and Equity Investments in Managed Funds**

The composition of investments at December 31 is as follows:

*(in thousands of dollars)*

	<b>2012</b>	<b>2011</b>
Reported at fair value		
Cash and cash equivalents	\$262,904	\$357,333
Marketable equity securities	552,529	452,084
Marketable debt securities	449,835	402,664
	<u>1,265,268</u>	<u>1,212,081</u>
Reported under the equity method		
Managed funds	334,721	246,270
	<u>\$1,599,989</u>	<u>\$1,458,351</u>

A portion of CHE's long-term investment assets are held in the CIP Program. The CIP Program is structured under a Program Participation Agreement (the "Agreement") between each participant RHC and CHE. All investments in the CIP Program are professionally managed under the administration of CHE.

Participants' investments held in the CIP Program are assigned a weighted value for the period of time the funds are invested in the CIP Program. Investment income from the CIP Program, including interest income, dividends, and realized gains and losses on sales of securities, and unrealized gains and losses are distributed to participants based on their weighted value of investment.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

The underlying fair value of investments in the CIP Program, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked prices.

CHE participates in a securities lending program wherein some investments are loaned on an overnight basis to various brokers. CHE receives lending fees and earns interest and dividends on the loaned securities. These securities are returnable on demand and are collateralized by cash deposits and U.S. Treasury Obligations. Collateral received is at 100% of the fair value of the securities on loan. CHE is indemnified against borrower default by the financial institution acting as lending agent. At December 31, 2012 and 2011, securities with a fair market value of \$67,972,000 and \$130,634,000, respectively, were loaned under securities lending agreements.

Investment returns, net, is comprised of the following for the years ended December 31:

*(in thousands of dollars)*

	2012	2011
<b>Unrestricted net assets</b>		
Investment returns, net		
Interest and dividends	\$12,568	\$15,518
Net realized gains	15,192	16,960
Net unrealized gains (losses) on investments - trading securities	70,113	(23,379)
	<u>\$97,873</u>	<u>\$9,099</u>
Net change in unrealized gains on available for sale securities (held by unconsolidated organizations)	<u>\$3,553</u>	<u>(\$3,638)</u>
<b>Temporarily restricted net assets</b>		
Other changes in temporarily restricted net assets		
Investment income		
Interest and dividends	\$967	\$631
Net realized gains on investments	305	54
	<u>\$1,272</u>	<u>\$685</u>
Net unrealized gains (losses) on investments	<u>\$4,800</u>	<u>(\$648)</u>
<b>Permanently restricted net assets</b>		
Other changes in permanently restricted net assets		
Net realized and unrealized gains on investments	<u>\$1,248</u>	<u>\$147</u>

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
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The following managed fund investments are recorded under the equity method of accounting, which approximates the net asset value per share of the investments as of December 31

<i>(in thousands of dollars)</i>	<b>2012</b>			
	<b><u>Recorded Value</u></b>	<b><u>Unfunded Commitments</u></b>	<b><u>Commitment Term</u></b>	<b><u>Redemption Terms</u></b>
Fund of Hedge Funds	\$283,502	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	22,767	\$5,042	2-10 years	Redemption permitted upon expiration of commitment term
Private Equity	28,452	\$14,109	3-15 years	Redemption permitted upon expiration of commitment term
Total	<u><u>\$334,721</u></u>			

<i>(in thousands of dollars)</i>	<b>2011</b>			
	<b><u>Recorded Value</u></b>	<b><u>Unfunded Commitments</u></b>	<b><u>Commitment Term</u></b>	<b><u>Redemption Terms</u></b>
Fund of Hedge Funds	\$200,307	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	18,544	\$6,987	3-11 years	Redemption permitted upon expiration of commitment term
Private Equity	27,419	\$12,363	4-12 years	Redemption permitted upon expiration of commitment term
Total	<u><u>\$246,270</u></u>			

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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#### 5. Fair Value Measurements

The System adheres to applicable accounting guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and requires certain disclosures about fair value measurements. Fair value is defined under the guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, the guidance establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar instruments, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in the fair value guidance. The three valuation techniques are as follows:

Market approach Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

Cost approach Amount that would be required to replace the service capacity of an asset (i.e., replacement cost)

Income approach Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models)

The System measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk.

**Catholic Health East**  
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Financial instruments at fair value at December 31, 2012 and 2011 are as follows

(in thousands of dollars)

	2012				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program					
Cash and cash equivalents (1)	\$44,984	\$33,440	\$ -	\$78,424	Market
Marketable equity securities (2)	323,521	146,147	-	469,668	Market
Marketable debt securities (3)	54,830	171,183	-	226,013	Market
Total consolidated investment program	<u>423,335</u>	<u>350,770</u>	<u>-</u>	<u>774,105</u>	
Locally invested					
Cash and cash equivalents (1)	184,480	-	-	184,480	Market
Marketable equity securities (2)	69,564	13,297	-	82,861	Market
Marketable debt securities (3,4)	30,395	188,467	4,960	223,822	Market
Total locally invested	<u>284,439</u>	<u>201,764</u>	<u>4,960</u>	<u>491,163</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$707,774</u>	<u>\$552,534</u>	<u>\$4,960</u>	<u>1,265,268</u>	
Managed funds				<u>334,721</u>	
Total marketable securities and investments whose use is limited and managed funds				<u>\$1,599,989</u>	
Derivative financial instruments					
Interest rate swaps - asset (5)	<u>\$ -</u>	<u>\$1,552</u>	<u>\$ -</u>		Market

	2011				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program					
Cash and cash equivalents (1)	\$63,099	\$63,579	\$ -	\$126,678	Market
Marketable equity securities (2)	292,688	3,425	-	296,113	Market
Marketable debt securities (3)	44,668	109,280	-	153,948	Market
Total consolidated investment program	<u>400,455</u>	<u>176,284</u>	<u>-</u>	<u>576,739</u>	
Locally invested					
Cash and cash equivalents (1)	230,655	-	-	230,655	Market
Marketable equity securities (2)	143,137	12,834	-	155,971	Market
Marketable debt securities (3,4)	88,524	155,597	4,595	248,716	Market
Total locally invested	<u>462,316</u>	<u>168,431</u>	<u>4,595</u>	<u>635,342</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$862,771</u>	<u>\$344,715</u>	<u>\$4,595</u>	<u>1,212,081</u>	
Managed funds				<u>246,270</u>	
Total marketable securities and investments whose use is limited and managed funds				<u>\$1,458,351</u>	
Derivative financial instruments					
Interest rate swaps - liability (5)	<u>\$ -</u>	<u>(\$4,872)</u>	<u>\$ -</u>		Market

There were no transfers between fair value levels for the years ended December 31, 2012 and 2011

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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- (1) **Cash & cash equivalents** - The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid. The fair value of certificates of deposit and commercial paper are classified as Level 2 Cash and Cash Equivalents because their valuations are based on multiple sources of information, including quoted prices from active and non-active markets, and amortized costs which approximates fair value.
- (2) **Marketable equity securities** – Equity securities include both domestic equity and international equity asset classes. Investments in certain equity securities represent investments in commingled funds consisting primarily of equity securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges. At December 31, 2012 and 2011, notice periods are generally three (3) business days, according to provisions of the respective investment agreements. Investments in other equity (common and preferred) securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which daily closing stock prices are readily available.
- (3) **Marketable debt securities** – Investments in certain fixed income securities represent investments in registered investment companies consisting primarily of fixed income securities. These investments, as well as investments in U.S. Government securities, are classified as Level 1 because they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available. Investments in other fixed income securities that are not considered registered investment companies or U.S. Government securities are comprised primarily of corporate debt instruments and mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets. Investments in certain fixed securities represent investments in commingled funds consisting primarily of fixed securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges.
- (4) **Perpetual trusts** – Perpetual trusts are assessed a net asset value per share for these alternative investments that has been calculated in accordance with investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. They are classified as Level 3 because of the nature of the perpetual trust investment and its transparency to the underlying investments within the trust.
- (5) **Interest rate swaps** - The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments Level 2. The volatility in the fair value of the swap agreements change as long-term interest rates change.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
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**6. Property and Equipment**

The following summarizes property and equipment at December 31

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
Land and improvements	\$110,573	\$102,496
Buildings and improvements	2,128,451	2,060,368
Equipment	1,596,472	1,459,998
	<u>3,835,496</u>	<u>3,622,862</u>
Less Accumulated depreciation and amortization	<u>(2,123,726)</u>	<u>(1,972,665)</u>
	1,711,770	1,650,197
Construction in progress	167,350	124,080
	<u>\$1,879,120</u>	<u>\$1,774,277</u>

At December 31, 2012 and 2011, approximately \$590,248,000 and \$567,791,000 of property and equipment, net, is pledged as collateral under various loan agreements. Interest cost, net of related interest income, totaling approximately \$1,939,000 and \$3,181,000 was capitalized to construction in progress during 2012 and 2011, respectively.

**7. Investments in Unconsolidated Organizations**

Catholic Health East has investments in unconsolidated organizations totaling \$1,616,988,000 and \$1,450,068,000 at December 31, 2012 and 2011, respectively. Several significant investments, which are accounted for under the equity method, comprise this balance including, but not limited to, the following:

**BayCare Health System**

CHE has a fifty percent interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Catholic Health East BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the Members). BayCare consists of three community health alliances located in the Tampa Bay area of Florida including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care with an aggregate of approximately 2,900 acute care beds. CHE has the right to appoint nine of the twenty-one members of the Board of Directors of BayCare. At December 31, 2012 and 2011, CHE's recorded investment in BayCare totaled \$1,350,732,000 and \$1,138,120,000, excluding wholly owned subsidiaries and other beneficial interests.

**Catholic Health System, Inc.**

CHE has a one-third interest in Catholic Health System, Inc. and Subsidiaries ("CHS"). CHS, formed in 1998, is a not-for-profit integrated delivery healthcare system in Western New York jointly sponsored by the Sisters of Mercy, Ascension Health System, the Franciscan Sisters of St. Joseph, and the Diocese of Buffalo. CHE, Ascension Health System, and the Diocese of Buffalo are the corporate members of CHS. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York, Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. At December 31, 2012 and 2011, CHE's recorded investment in CHS totaled \$12,116,000 and \$12,914,000, respectively.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

#### Emory Healthcare/St. Joseph's Health System

On December 31, 2011, CHE entered into a joint operating agreement with Emory Healthcare as described in Note 18, and retains a forty-nine percent equity interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta, and John's Creek Hospital. At December 31, 2012 and 2011, CHE's recorded investment in EH/SJHS totaled \$60,519,000 and \$142,175,000, respectively.

Condensed consolidated balance sheets of BayCare, including wholly owned foundations and other beneficial interests, CHS and EH/SJHS as of December 31 are as follows:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS	
	2012	2011	2012	2011	2012	2011
Assets	\$4,750,607	\$4,014,123	\$778,333	\$682,748	\$446,739	\$639,369
Liabilities	\$1,908,513	\$1,597,252	\$737,110	\$639,128	\$322,692	\$313,233
Net assets	\$2,842,094	\$2,416,871	\$41,223	\$43,620	\$124,047	\$326,136

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, CHS and EH/SJHS for the years ended December 31:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS
	2012	2011	2012	2011	2012
Equity in earnings of unconsolidated organizations	\$211,786	\$74,611	\$9,187	\$8,747	(\$84,873)
Net unrealized losses on investments	-	19	-	-	-
Other changes in unrestricted and restricted net assets	825	(7,965)	(9,986)	(20,356)	(4,006)
	<u>\$212,611</u>	<u>\$66,665</u>	<u>(\$799)</u>	<u>(\$11,609)</u>	<u>(\$88,879)</u>

Additionally, certain RHCs have investments in unconsolidated organizations, the most significant of which is an investment in a Medicaid HMO joint venture at Mercy Health System of Southeastern Pennsylvania ("Mercy SEPA"). These investments total \$193,621,000 and \$156,859,000 in 2012 and 2011, respectively. CHE's proportionate share of the income of these investments was \$34,050,000 and \$70,846,000 for the years ended December 31, 2012 and 2011, respectively.



# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

#### 8. Long-Term Debt

At December 31, long-term debt consisted of the following

<i>(in thousands of dollars)</i>	2012	2011
<b>Revenue bonds</b>		
Catholic Health East Health System Revenue Bonds		
Various Fixed Rate Series issued from 1998 to 2012, coupon rates ranging from 2.25% to 7.375%, annual principal payments through 2040	\$870,596	\$912,292
Various Variable Rate Series issued from 1997 to 2008, rates ranging from 0.03% to 0.36%, annual principal payments through 2036	99,955	103,825
Various Variable Rate Series swapped to fixed rating ranging from 1.09% to 1.17%, annual principal payments through 2034	27,660	27,740
Taxable Rate Series issued 1999 with rate of 7.62%, annual principal payments through 2017	3,710	4,415
	<u>1,001,921</u>	<u>1,048,272</u>
Other issues under \$10,000	16,054	16,570
Less amortization and unamortized (discount) premium	13,524	789
<b>Mortgages payable</b>		
JP Morgan/Chase mortgage payable in monthly fixed principal installments of \$56, interest at Libor plus 150 basis points through May 2021	5,681	6,356
Rensselaer County Industrial Development Agency and Albany County Industrial Development Agency, bearing interest at a fixed rate ranging from 4.36% - 5.375%	4,749	10,680
Various HUD insured mortgages (5.56% to 5.64%) payable through January 2027	11,360	11,986
Other mortgages and notes payable under \$5,000, individually	4,365	4,921
<b>Notes payable</b>		
North Ridge VA Center, LTD (5.04%), semi-annual principal payments through 2023	32,320	34,601
Notes payable due at various dates through 2027, various rates	63,098	21,635
Revolving credit agreement, due in 2014	76,450	81,185
Capital lease obligations payable in various monthly amounts	<u>48,758</u>	<u>57,443</u>
Total long-term debt and obligations under capital leases	1,278,280	1,294,438
Less Current maturities of long term debt	(97,365)	(60,422)
Less Portion of variable rate demand obligations classified as current	<u>(29,325)</u>	<u>(10,492)</u>
Total long-term debt	<u>\$1,151,590</u>	<u>\$1,223,524</u>

Aggregate maturities of long-term debt and capital lease obligations as of December 31, 2012 are shown below

<i>(in thousands of dollars)</i>	
2013	\$126,690
2014	60,337
2015	56,405
2016	55,705
2017	128,195
Thereafter	837,424
Unamortized discount and imputed interest	13,524
	<u>\$1,278,280</u>

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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The fair value of the System's long term debt is based on quoted market prices or estimates using discounted cash flow analyses, based on the participating facility's incremental borrowing rates for similar types of borrowing arrangements (Level 2). The fair value of the System's long-term debt at December 31, 2012 and 2011 was \$1,279,868,000 and \$1,343,421,000, respectively, compared to the carrying value of \$1,244,868,000 and \$1,214,421,000, respectively. This excludes capital leases and mortgage notes.

On June 1, 2012, CHE issued \$147,640,000 of Series 2012A Hospital Revenue Bonds through the Delaware County Authority (Pennsylvania) Health System, the City of Tampa, Florida Health, and North Carolina Medical Care Commission Health System. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.25%. The proceeds of this issue were used to refund and redeem certain of the outstanding Series 1998A Revenue Bonds issued previously and to pay the costs of issuance. As part of this transaction, CHE recorded a loss on extinguishment of debt totaling \$2,908,000.

On December 31, 2011, CHE transferred the outstanding debt of St. Joseph's Hospital, including the Series 2007A Revenue Bonds of \$9,900,000, the Series 2009 Revenue Bonds of \$68,970,000, and the Series 2010 Revenue Bonds of \$40,135,000 to the St. Joseph's/Emory Healthcare Joint Operating Agreement described in Note 18. Subsequent to the transfer date, the debt is guaranteed by Emory University and is no longer an obligation of the CHE Obligated Group.

On June 1, 2011, CHE repaid the outstanding debt of Mercy Hospital, Miami, including the Series 1998 Hospital Revenue Bonds of \$10,000,000, the Series 2002 Hospital Revenue Bonds of \$35,000,000, the Series 2003C Hospital Revenue Bonds of \$14,000,000, the Series 2008 Hospital Revenue Bonds of \$31,900,000, and the Series 2009 Hospital Revenue Bonds of \$29,300,000. The debt was repaid with proceeds from the sale of certain entities of Mercy Hospital, Miami to HCA as described in Note 18.

On February 3, 2011, St. Peter's Health Care Services issued \$34,200,000 of Series 2011 Hospital Revenue Bonds through the City of Albany Capital Resource Corporation. The bonds were issued as fixed rate bonds with interest rates ranging from 3.0% to 6.25%. The proceeds of this issue were used for St. Peter's Hospital Master Facilities Plan building and equipment projects, to fund a debt service reserve fund, to pay capitalized interest, and to pay the costs of issuance.

Certain CHE constituent corporations are members of the CHE Obligated Group. Under the Amended and Restated Master Trust Indenture dated January 1, 1998 and amended and restated as of September 30, 2006, Obligated Group members provide a revenue pledge and are joint and severally liable on all obligations outstanding under the Master Indenture. Additionally, the Obligated Group has agreed to comply with certain covenants including the repayment of principal and interest, notification regarding admission or withdrawal of members of the Obligated Group, to deliver financial statements and other related information by specified due dates, to maintain insurance, and to maintain a long-term debt service coverage of at least 1.10 to 1.00.

Pursuant to loan agreements between CHE and various RHCs, promissory notes have been executed by each RHC in amounts equal to the amount of proceeds necessary to defease previously existing debt and provide for capital projects.

In prior years, CHE advance refunded certain of its bonds which are no longer reflected in the consolidated financial statements since CHE has legally satisfied its obligation through defeasance. Funds are held in an irrevocable escrow with a trustee and are expected to be sufficient to satisfy the obligations.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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CHE maintains a revolving credit loan facility which is structured through a consortium with five banks and extends through November 30, 2017. The credit facility totals \$300,000,000 with an option to increase the credit facility to \$350,000,000. At December 31, 2012 and 2011, approximately \$32,812,000 and \$43,697,000, respectively, of the total credit facility was obligated for standby letters of credit. Additionally, approximately \$101,300,000 and \$106,035,000 at December 31, 2012 and 2011, respectively, had been borrowed against the total credit facility. Borrowings under this agreement may be repaid at any time and are payable upon termination of the agreement. These borrowings were used to finance various capital projects at several of the RHCs. Use of the credit facility for standby letters of credit is limited to \$100,000,000 of the total credit facility.

Certain of the System's variable rate demand bonds are supported by irrevocable letters of credit with expiration dates in 2013 and 2014. CHE is the guarantor for these letters of credit. The letters of credit and dates of expiration are as follows:

<u>RHC</u>	<u>Associated Bond Issue</u>	<u>Expiration</u>
Mercy Medical Corporation	Series 1997	11/1/2013
St. Mary Medical Center	Series 1997	11/1/2013
Holy Cross Hospital	Series 1997	11/1/2013
Holy Cross Hospital	Series 2000	12/31/2014
St. Francis Medical Center	Series 2003	12/31/2014
St. Joseph of the Pines, Inc.	Series 2008	4/23/2014

#### ***Blended Cost of Debt Program***

CHE maintains a Blended Cost of Debt Program (the "Debt Program") to provide a uniform cost of debt for participating RHCs and to mitigate the interest rate risk of an RHC.

Under the Debt Program, all debt costs, excluding taxable debt, capitalized leases, and short-term borrowing, are blended. The calculation of the blended costs incorporates bond interest, both fixed and variable, debt-related fees, such as letters of credit, credit enhancement, remarketing, auction, as well as periodic rating agency, bond trustee, master trustee and issuing authority fees, net swap payments/receipts and put/guaranty receipts, along with other miscellaneous fees related to tax-exempt debt issued by CHE and its affiliates.

Participants in the Debt Program make periodic payments to CHE. Each participant's periodic payment is based on their respective percentage of total indebtedness included in the Debt Program. Principal payments are not blended. Participants make their scheduled principal payments to CHE in the month they are due.

## **9. Derivative Financial Instruments**

CHE has entered into derivative transactions for the purpose of reducing interest rate volatility and to reduce interest expense. CHE has entered into fixed-to-floating interest rate swaps, total return swaps, basis swaps, and fixed-payor swaps.

At December 31, 2012 and 2011, fourteen *basis swap* transactions were outstanding in the CHE Debt Program with notional amounts totaling \$717,000,000 and maturity dates ranging from February 2023 to December 2028. In the basis swap transactions, CHE receives a floating taxable rate and pays a floating tax-exempt rate. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

At December 31, 2012 and 2011, four and six *fixed-to-floating interest rate swap* agreements, respectively, were outstanding in the CHE Debt Program. The fixed-to-floating swaps had notional amounts totaling \$95,000,000 and \$150,000,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from March 2014 to April 2017. These fixed-to-floating interest rate swap agreements effectively convert a portion of the System's fixed rate debt to a floating rate basis and are not designated as hedges for financial reporting purposes.

At December 31, 2012 and 2011, four *fixed-payor interest rate swap* agreements, were outstanding in the CHE Debt Program. The fixed-payor swaps had notional amounts totaling \$27,700,000 and maturity dates ranging from November 2032 to November 2034. Under these interest rate swap agreements CHE pays a fixed rate and receives a variable rate. Additionally, the cash flows from these interest rate swap agreements equal the rates on the bonds and therefore effectively convert the debt to a fixed rate. The notional amount of these interest rate swap agreements declines in relation to the annual principal payments on the hedged debt. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012 and 2011, five and seven *total return swap* agreements, respectively, were outstanding in the CHE Debt Program. The total return swaps had notional amounts totaling \$85,525,000 and \$104,300,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from June 2013 to May 2014. Under these swap agreements, CHE receives a fixed rate on the amount corresponding to the par amount of the outstanding bonds, and pays the Securities Industry and Financial Markets Association ("SIFMA") index. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012, three *fixed-to-floating interest rate swaps* were outstanding outside the CHE Debt Program with notional amounts totaling \$47,180,000 and maturity dates ranging from November 2013 to August 2033. These fixed-to-floating swaps were not outstanding as of December 31, 2011. In accordance with certain of these swap agreements a collateral account may be required as security for the swap.

The fair value of derivative instruments at December 31 is as follows:

(in thousands of dollars)

	2012		2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts				
Basis	Other assets	\$5,938	Other liabilities	(\$6,344)
Fixed-to-floating	Other assets	\$1,314	Other assets	\$2,291
Fixed-payor	Other liabilities	(\$7,115)	Other liabilities	(\$6,231)
Total return	Other assets	\$7,130	Other assets	\$10,525
Fixed-to-floating, non CHE	Other liabilities	(\$5,715)	Other liabilities	(\$5,113)
		<u>\$1,552</u>		<u>(\$4,872)</u>

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2012 and 2011 are as follows

*(in thousands of dollars)*

		Amount of Gain (Loss) Recognized in Statement of Operations	
		2012	2011
Interest rate contracts			
Basis	Change in fair value of interest rate swaps	\$12,282	(\$9,984)
Fixed-to-floating	Change in fair value of interest rate swaps	(977)	1,058
Fixed-payor	Change in fair value of interest rate swaps	(884)	(2,777)
Total return	Change in fair value of interest rate swaps	(3,397)	10,526
Fixed-to-floating, non CHE	Change in fair value of interest rate swaps	(600)	(55)
Total		<u>\$6,424</u>	<u>(\$1,232)</u>

Certain of CHE's derivative instruments contain credit-risk-related provisions that require CHE and its counterparties to post collateral in varying amounts based on respective credit ratings. If CHE's debt were to fall below investment grade, the counterparties to the derivative instruments would require CHE to post collateral only if the aggregate position of all derivative instruments is negative. Based on CHE's current credit rating, the System was not required to post collateral as of December 31, 2012 or 2011. Locally held derivative instruments (non-CHE) required posted collateral at December 31, 2012 and 2011 in the amount of \$474,000 and \$753,000, respectively.

**10. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets at December 31 are available for the following purposes:

*(in thousands of dollars)*

	2012	2011
<b>Temporarily restricted net assets</b>		
Education and research	\$5,746	\$5,397
Building and equipment	28,180	27,406
Patient care	14,916	16,480
Cancer Center/research	7,431	6,110
Other	86,737	85,221
	<u>\$143,010</u>	<u>\$140,614</u>

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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Permanently restricted net assets at December 31 are restricted as follows

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Permanently restricted net assets</b>		
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	\$37,897	\$36,272
Endowments requiring income to be added to the original gift	2,426	2,282
Other	9,504	8,152
	<u>\$49,827</u>	<u>\$46,706</u>

The System classifies the portions of donor-restricted endowment funds of perpetual duration as permanently restricted net assets. Permanently restricted net assets of the System are comprised of a) the original value of gifts donated to the System through a permanent endowment, b) the original value of subsequent gifts to the System through a permanent endowment, and c) accumulations to the permanent endowment in accordance with applicable donor gift instruments. Any portions of donor-restricted endowment funds that are not classified as permanently restricted are appropriated in accordance with donor intent.

The System considers the following factors in determining if donor-restricted endowment funds are accumulated or appropriated:

- 1) the duration and preservation of the fund
- 2) the purposes of the System's donor-restricted endowment funds
- 3) general economic conditions
- 4) effect of possible inflation or deflation
- 5) the expected total investment return and appreciation of investments
- 6) other resources of the System
- 7) investment policies of the System

The System's permanently restricted net assets consist of individual endowment accounts. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. Unless otherwise directed by the donor, the System annually appropriates a certain percentage of each endowment fund, which is then available for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future and providing stable, annual appropriations.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

The composition of endowment fund net assets, by type of fund, at December 31, 2012 and 2011 are as follows

*(in thousands of dollars)*

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Donor-restricted endowment funds	\$ -	\$82,466	\$49,827
Board-designated endowment funds	17,864	445	-
Total endowment funds	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Donor-restricted endowment funds	\$0	\$82,089	\$46,706
Board-designated endowment funds	17,635	809	-
Total endowment funds	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

Changes in the composition of endowment fund net assets as of December 31, 2012 and 2011 are as follows

*(in thousands of dollars)*

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Endowment fund net assets, beginning of year	\$17,635	\$82,898	\$46,706
Investment return			
Realized investment income	31	425	755
Unrealized investment gains	183	4,825	518
Net appreciation	-	741	(25)
Total investment return	<u>214</u>	<u>5,991</u>	<u>1,248</u>
Other changes in endowment funds	15	(5,978)	1,873
Endowment fund net assets, end of year	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Endowment fund net assets, beginning of year	\$17,517	\$67,810	\$27,972
Investment return			
Realized investment income	202	364	945
Unrealized investment losses	(94)	(480)	(768)
Net appreciation	-	341	(32)
Total investment return	<u>108</u>	<u>225</u>	<u>145</u>
Other changes in endowment funds	10	14,863	18,589
Endowment fund net assets, end of year	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**11. Insurance**

Professional and general liability risk is insured through Stella Maris Insurance Company, Ltd. a wholly owned, captive insurance company, commercial insurance and reinsurance companies, and self-insured programs. Excess insurance over self-insured amounts and coverage provided by the captive has been purchased from the commercial insurance and reinsurance markets. The excess professional liability coverage is provided on a claims-made basis. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

CHE maintains a large deductible program for workers' compensation. Losses from asserted claims and from unasserted claims identified under CHE's incident reporting systems are accrued based on estimates that incorporate CHE's experience, relevant trends, and other factors. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

Total amounts accrued under these programs as current liabilities approximate \$19,642,000 and \$18,901,000 at December 31, 2012 and 2011, respectively. Total amounts accrued under these programs as long-term liabilities approximate \$284,966,000 and \$299,960,000 at December 31, 2012 and 2011, respectively.

Bank-administered trust and other accounts have been established for the purpose of segregating assets. These trusts are funded based on actuarial estimates and can only be used for payment of malpractice losses, related expenses, and administrative costs of the trusts. Assets of the trusts are included in marketable securities whose use is limited.

The total amount charged to expense under these self-insured programs was \$57,066,000 and \$45,451,000 in 2012 and 2011, respectively.



**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**12. Pension Plans**

The System maintains non-contributory defined benefit pension plans that vary from one RHC to another, collectively, "the Plan." CHE has amended substantially all defined benefit pension plans to freeze service accruals.

The following table sets forth the change in benefit obligation and the change in fair value of plan assets based on the measurement date, and the amounts recognized in the consolidated financial statements at December 31.

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Changes in benefit obligation:</b>		
Benefit obligation, beginning of year	\$1,261,197	\$1,031,184
Service cost	6,654	10,178
Interest cost	54,091	52,707
Actuarial loss	75,548	130,724
Benefits paid	(57,493)	(35,654)
Plan amendments	-	(28,278)
Plan mergers & divestitures	(1,647)	116,849
Curtailment	(3,285)	-
Other	-	(16,513)
Benefit obligation, end of year	<u>\$1,335,065</u>	<u>\$1,261,197</u>
<b>Accumulated benefit obligation, end of year</b>	<b>\$1,316,982</b>	<b>\$1,227,766</b>
<b>Change in plan assets:</b>		
Fair value of plan assets, beginning of year	\$822,660	\$740,648
Actual return on plan assets	91,941	567
Employer contributions	60,476	48,027
Benefits paid	(57,493)	(35,654)
Asset transfers	-	69,072
Fair value of plan assets, end of year	<u>\$917,584</u>	<u>\$822,660</u>
<b>Funded status</b>		
Fair value of plan assets	\$917,584	\$822,660
Projected benefit obligation	<u>(1,335,065)</u>	<u>(1,261,197)</u>
Funded status	<u>(417,481)</u>	<u>(438,537)</u>
Amount recognized, end of year	<u><u>(\$417,481)</u></u>	<u><u>(\$438,537)</u></u>
 <b>Amounts recognized in unrestricted net assets</b>		
Net actuarial gain	\$46,014	\$184,392
Amortization of actuarial loss	(13,573)	(9,039)
Prior service cost	4,606	(1,218)
Current year prior service cost	-	(44,790)
Curtailment charge	(3,090)	-
Plan mergers	-	22,894
<b>Total</b>	<u><u>\$33,957</u></u>	<u><u>\$152,239</u></u>

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

The following table sets forth the components of net periodic benefit cost for the applicable plan(s) at December 31

<i>(in thousands of dollars)</i>	2012	2011
<b>Components of net periodic benefit cost:</b>		
Service cost	\$6,654	\$10,178
Interest cost	54,091	52,707
Expected return on plan assets	(62,408)	(61,061)
Amortization of prior service costs	(4,606)	1,218
Amortization of actuarial loss	13,573	9,039
Other adjustments	(195)	-
<b>Net periodic benefit cost</b>	<b>\$7,109</b>	<b>\$12,081</b>

The net actuarial loss that will be amortized from unrestricted net assets in the net periodic benefit cost in 2013 is \$14,194,000

The assumptions used to determine the benefit obligation and periodic benefit cost at December 31 are as follows

	2012	2011
<b>Assumptions used to determine the benefit obligation at December 31</b>		
Weighted average discount rate	3.55% - 4.05%	4.15% - 5.00%
Weighted average rate of compensation increases	2.50%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.50%	7.5% - 8.50%
<b>Assumptions used to determine periodic benefit cost at December 31</b>		
Weighted average discount rate	4.15% - 4.60%	4.90% - 5.55%
Weighted average rate of compensation increases	3.75% - 4.25%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.5% - 8.00%	7.5% - 8.50%

**Investment Policy and Asset Allocations** – In developing the assumption for the expected rate of return on assets, CHE evaluates historical returns, the level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected rate of return for each asset class is then weighted based on the target asset allocation to develop the assumption for the expected long-term rate of return on assets. For plans with frozen service accruals, the investment policy was modified to allow for asset allocation changes over time as the plans become more fully funded in order to de-risk the plans. This strategy utilizes a “glide path” approach, consisting of a series of target asset allocations for various funded ratio levels, reduces exposure to return seeking assets (marketable equity securities and managed funds) and increases exposure to the liability-hedging assets (cash and marketable debt securities) over time. The Company continually evaluates the asset allocation strategy relative to changing market conditions, pension assumptions, and overall funded status of the plans.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

The weighted average asset allocation for the plan at December 31 and the target allocation for calendar year 2012 and 2011, by asset category, are as follows

Asset category	Target Allocation 2012	2012	Target Allocation 2011	2011
	From-To		From-To	
Cash & marketable debt securities	18.8%-40.0%	21.6 %	18.8%-40.0%	22.5 %
Marketable equity securities & managed funds	60.0%-81.2%	78.4 %	60.0%-81.2%	77.5 %
	100.0%	100.0%	100.0%	100.0%

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, managed funds, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance.

The following table presents the Plan's financial instruments as of December 31, 2012 measured at fair value on a recurring basis using the fair value hierarchy defined in Note 5. The investments are not included in the marketable securities whose use is limited in the accompanying consolidated balance sheet. These investments are maintained separately in a pension investment program that is controlled by a trustee.

(in thousands of dollars)

	2012				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Pension investment program					
Cash and cash equivalents	\$109,534	\$8,422	\$ -	\$117,956	Market
Marketable equity securities	260,093	306,215	-	566,308	Market
Marketable debt securities	42,197	107,988	-	150,185	Market
Managed funds	-	17,873	65,262	83,135	Market
Total pension investment program	<u>\$411,824</u>	<u>\$440,498</u>	<u>\$65,262</u>	<u>\$917,584</u>	

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

	<b>2011</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Valuation Technique</u>
Pension investment program					
Cash and cash equivalents	\$44,761	\$20,863	\$ -	\$65,624	Market
Marketable equity securities	471,063	36,297	-	507,360	Market
Marketable debt securities	66,446	91,456	-	157,902	Market
Managed funds	-	-	91,774	91,774	Market
Total pension investment program	<u>\$582,270</u>	<u>\$148,616</u>	<u>\$91,774</u>	<u>\$822,660</u>	

The fair value of these investments is offset against the projected benefit obligation of the associated defined benefit plans and the resulting unfunded liability is recorded by the System

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from December 31, 2011 to December 31, 2012

*(in thousands of dollars)*

	<b>2012</b>	<b>2011</b>
Fair value January 1	\$91,774	\$75,493
Purchases	18,156	-
Realized gains	2,353	441
Unrealized losses	(126)	(2,950)
Other changes	(23,970)	21,479
Sales	(22,925)	(2,689)
Fair value December 31	<u>\$65,262</u>	<u>\$91,774</u>

There were no transfers in or out of levels 1 and 2 for the year ended December 31, 2012

**Contributions** – Expected contributions to the defined benefit plans in 2013 are approximately \$52,169,000

**Estimated Future Benefit Payments**

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

*(in thousands of dollars)*

2013	\$52,443
2014	55,254
2015	57,537
2016	62,221
2017	66,049
2018-2021	<u>370,706</u>
	<u>\$664,210</u>

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**13. Concentration of Credit Risk**

CHE grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2012	2011
Managed care	31.9 %	31.1 %
Medicare	24.0 %	23.8 %
Medicaid	9.5 %	11.0 %
Self-pay	11.9 %	11.3 %
Other third-party payors	11.9 %	14.4 %
Commercial	10.8 %	8.4 %
	<u>100.0 %</u>	<u>100.0 %</u>

In addition, CHE invests its cash and cash equivalents primarily with banks and financial institutions. These deposits may be in excess of federally insured limits. Management believes that the credit risk related to these deposits is minimal.

**14. Commitments and Contingencies**

The RHCs are defendants in various lawsuits relating primarily to rendering of health care services. In each instance, management of the respective RHCs is of the opinion that the liability, if any, resulting therefrom will be covered by insurance or will not have a material adverse impact on the consolidated financial statements of CHE. In addition, certain CHE entities have been contacted by governmental agencies regarding alleged violations of practices for certain services. Management of the respective RHCs has performed, with the advice and assistance of outside legal counsel, an evaluation of billing practices and compliance with related laws and regulations. In the opinion of management, after consultation with outside legal counsel, the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial statements of CHE.

On March 29, 2013, the Company was notified that it is a defendant in a lawsuit which challenges the church plan status of the Company's defined benefit pension plans. The Company believes it will prevail in defense of this matter.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**15. Leases**

The RHCs lease office space and certain equipment under noncancelable operating leases. Rental expense was approximately \$79,885,000 and \$79,211,000 in 2012 and 2011, respectively.

Future minimum lease payments for all noncancelable leases as of December 31, 2012 are as follows:

*(in thousands of dollars)*

2013	\$52,110
2014	43,479
2015	38,862
2016	33,380
2017	27,339
Thereafter	97,125
	<u>\$292,295</u>

**16. Functional Expenses**

CHE provides general health care services to residents within their geographic location including acute care, skilled nursing, outpatient care, home healthcare, physician practices, and behavioral services. Expenses related to providing these services at December 31 are as follows:

*(in thousands of dollars)*

	2012	2011
Health care services	\$3,314,936	\$2,885,340
General and administrative	801,628	670,723
	<u>\$4,116,564</u>	<u>\$3,556,063</u>

**17. Assets Held for Sale and Discontinued Operations**

On January 14, 2013, Mercy Health System of Maine (Mercy Maine) entered into a definitive agreement with Eastern Maine Health System (EMHS) under which EMHS would assume control over Mercy Maine and its component corporation. As of December 31, 2012 and 2011, Mercy Maine's assets and liabilities have been reclassified as held for sale. The operating results of Mercy Maine are reflected as discontinued operations in the consolidated statements of operations.

On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement (APA) under which the hospital would be acquired by another healthcare organization. Certain assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheets as of December 31, 2012 and 2011. The operating results of Saint Michael's Medical Center are reflected as discontinued operations in the consolidated statements of operations.

Additionally, the Boards of Directors at certain of the Company's RHCs have approved management plans to divest or otherwise exit certain services lines and asset groups. Service lines and asset groups subject to such management plans are collectively referred to as the Disposal Group.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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Details of the assets held for sale, the related liabilities, and discontinued operations of the Disposal Group at December 31 are provided below

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Assets Held for Sale and Related Liabilities</b>		
Current assets	\$69,159	\$84,299
Property, plant, and equipment, net	267,203	389,174
Total assets	<u>\$336,362</u>	<u>\$473,473</u>
Current liabilities	\$101,105	\$115,605
Other long-term liabilities	318,811	326,593
Total liabilities	<u>\$419,916</u>	<u>\$442,198</u>
<b>Discontinued Operations</b>		
Unrestricted revenues, gains and other support		
Net patient service revenue	\$427,026	\$527,097
Other operating revenue	36,302	51,441
Total revenues	<u>463,328</u>	<u>578,538</u>
Expenses		
Salaries, wages and benefits	256,762	317,447
Medical supplies	70,573	93,816
Purchased services, professional fees, and other expenses	144,847	186,427
Depreciation and amortization	21,529	25,898
Interest	20,529	24,411
Insurance	5,985	8,733
Total expenses	<u>520,225</u>	<u>656,732</u>
Operating loss before impairment	(56,897)	(78,194)
Non-operating losses on sale of assets	(4,481)	(3,254)
Impairment costs and other non-operating charges	(110,393)	6,568
Operating loss	<u>(\$171,771)</u>	<u>(\$74,880)</u>

Saint Michael's Medical Center classified tax-exempt revenue bonds as Liabilities related to Assets Held for Sale totaling \$237,705,000 and \$241,700,000 at December 31, 2012 and 2011, respectively. The bonds are issued through and guaranteed by the New Jersey Health Care Facilities Financing Authority as fixed rate bonds with interest rates ranging from 5.0% to 5.5% and annual principal payments through 2038. The bonds are excluded from the CHE Obligated Group.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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Aggregate principal payments are as follows

*(in thousands of dollars)*

2013	\$4,435
2014	4,490
2015	4,900
2016	4,950
2017	5,425
Thereafter	213,505
	<u>\$237,705</u>

As a condition to closing of the transaction with the purchaser as described above, the New Jersey Health Care Facilities Financing Authority would agree to provide a release of Saint Michael's obligation on the tax-exempt bonds

**18. Significant Events**

*Maxis Health System*

On February 28, 2012, the Company closed Marian Community Hospital, which provided acute care and behavioral health services in the Carbondale, PA service area. The operations of Marian Community Hospital are classified as discontinued operations in the accompanying consolidated statements of operations and changes in net assets at December 31, 2011.

*St. Peter's Health Partners*

On October 1, 2011, St. Peter's Health Care Services ("SPHCS"), Northeast Health ("NEH"), and Seton Health ("Seton") contributed their net assets to form St. Peter's Health Partners. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions, the Company recorded contribution income of \$374,819,000 reflecting the fair value of the contributed assets of NEH and Seton on the transaction date. Of this amount, \$322,947,000 represents unrestricted net assets and is included as a non-operating gain in the accompanying statement of operations and changes in net assets at December 31, 2011. Temporarily restricted net assets and permanently restricted net assets of \$33,201,000 and \$18,671,000, respectively, were recorded as restricted contribution income in the accompanying consolidated statement of changes in net assets.

The 2011 consolidated statement of operations reflects the activity of NEH and Seton from the date of the transaction (October 1, 2011) to December 31, 2011. No consideration was exchanged for the net assets contributed.



# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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The fair value of assets, liabilities, and net assets contributed by NEH and Seton at October 1, 2011 were as follows

<i>(in thousands of dollars)</i>	<b>Total NEH &amp; Seton</b>
<b>Assets</b>	
Cash and cash equivalents	\$123,441
Assets limited as to use and investments	147,858
Patient accounts receivable , net	48,331
Property plant and equipment	307,167
Other assets	63,960
Total assets acquired	<u>\$690,757</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$44,927
Estimated amounts due to third party payers	16,094
Long-term debt	118,449
Accrued pension and post retirement benefits	38,438
Other liabilities	98,030
Total liabilities assumed	<u>315,938</u>
<b>Net Assets</b>	
Unrestricted	322,947
Temporarily restricted	33,201
Permanently restricted	18,671
Total net assets	<u>374,819</u>
Total liabilities and net assets	<u>\$690,757</u>

A summary of the financial results of NEH and Seton included in the consolidated statement of operations and changes in net assets from the period October 1, 2011 through December 31, 2011 is as follows

<i>(in thousands of dollars)</i>	<b>Total NEH &amp; Seton</b>
Total operating revenues	<u>\$135,025</u>
Total operating expenses	<u>131,417</u>
Operating income	3,608
Non operating gains	<u>4,681</u>
Excess of revenues over expenses	<u>8,289</u>
Net assets released from restriction used for capital purchases	373
Pension adjustment	(6,209)
Other changes	<u>4,291</u>
Increase in unrestricted net assets	<u>\$6,744</u>

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

A summary of the financial results of the Company for the year ended December 31, 2011, as if the transaction had occurred on January 1, 2011 is as follows (unaudited)

<i>(in thousands of dollars)</i>	<b>CHE 2011</b>
Total operating revenues	<u>\$4,048,326</u>
Total operating expenses	<u>3,946,563</u>
Operating income, before losses from St Joseph's Health System	101,763
Losses from Saint Joseph's Health System	<u>(31,249)</u>
Operating income (including losses from St Joseph's Health System)	70,514
Non-operating gains	<u>184,983</u>
Excess of revenues over expenses	<u>255,497</u>
Changes in unrestricted net assets	<u>(139,794)</u>
Increase in unrestricted net assets before discontinued operations	115,703
Loss from discontinued operations	<u>(38,527)</u>
Increase in unrestricted net assets	<u>\$77,176</u>

#### *Saint Joseph's Health System*

On December 31, 2011, the Company contributed certain assets and liabilities of St Joseph's Health System to a joint operating company ("JOC") with Emory Healthcare in exchange for a 49% non-controlling ownership interest. The entities contributed to the JOC include St Joseph's Hospital of Atlanta, Saint Joseph's Real Estate Corporation, Saint Joseph's Service Corporation, The Medical Group of Saint Joseph's, Saint Joseph's Translational Research Institute, and the International College of Robotic Surgery. An equity investment resulting from the transaction is included in investments in unconsolidated organizations in the accompanying consolidated balance sheets and is detailed further in Note 7. The related operating loss of \$31,249,000 at December 31, 2011 was classified separately within operating income on the consolidated statement of operations.

#### *Mercy Health System of Southeastern Pennsylvania*

On November 30, 2011, Mercy SEPA Mercy Health System of Southeastern Pennsylvania sold its equity ownership interests in certain Medicaid managed care organizations to Independence Blue Cross and Blue Cross/Blue Shield of Michigan. As consideration for the sale, Mercy Health System received a lump sum cash payment of \$194.0 million and a \$43.0 million pledge to the Mercy Health System Foundation to be paid over a seven (7) year period, which is included in other assets in the accompanying consolidated balance sheet at December 31, 2011. Mercy Health System recognized a gain on sale of \$94.9 million related to this transaction, which is included in the December 31, 2011 statement of operations and changes in net assets.

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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#### *Mercy Hospital, Miami*

On May 1, 2011, the Company sold certain entities of Mercy Hospital, Miami to Hospital Corporation of America ("HCA"). The entities sold included Mercy Hospital, Sister Emmanuel Hospital for Continuing Care, Mercy Medical Development, and Mercy Physician Group. The results of these operations are reflected as discontinued operations in the accompanying statement of operations and changes in net assets at December 31, 2011. Proceeds from the sale were used primarily to satisfy long-term debt obligations of Mercy Hospital, Miami.

#### **19. Subsequent Events**

CHE evaluated the impact of subsequent events through April 30, 2013, representing the date at which the consolidated financial statements were issued.

On January 16, 2013, the Company and Trinity Health, an Indiana non-profit corporation, entered into a Consolidation Agreement, subject to regulatory approval and other closing conditions, under which the Company and Trinity Health would consolidate into a new non-profit organization. The transaction is expected to be completed in 2013.

In January 2013, CHE issued \$39.1 million of Series 2012 Hospital Revenue Bonds through Green County (Georgia) Development Authority. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.0%. The proceeds of this issue will be used to fund the construction of a replacement facility for Good Samaritan Hospital in Greensboro, Georgia, and to pay the costs of issuance.

In January 2013, CHE issued \$63.6 million of Series 2012B Hospital Revenue Bonds through the Saint Mary Hospital Financing Authority (Pennsylvania). The bonds were issued as variable rate bonds with an average annual interest rate 3.5%. The proceeds of these bonds were used to finance certain qualifying electronic health record expenditures at CHE's System Office, Mercy SEPA, and St. Mary Langhorne, and to pay the costs of issuance.

**Supplemental Financial Information**

# Catholic Health East

## Social Accountability Supplemental Schedule - Unaudited

### December 31, 2012 and 2011

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#### Social Accountability

In keeping with the mission and purpose of CHE, to carry out the health care ministries of the sponsoring congregations by serving as a community of persons committed to being a transforming, healing presence within the communities it serves, and in particular the needs of the poor, the System strives to maximize the provision of services in its communities and in collaboration with other organizations. A portion of CHE's overall operating expense relates to costs incurred in providing and meeting certain community needs for which CHE is not directly compensated.

A standard reporting and accountability process is utilized throughout CHE to estimate the net cost of these services, referred to as Social Accountability Costs, which provides a basis of accountability and reporting to the communities served for purposes of disclosing the utilization of resources. Costs reported are net of contributions or grants that have been provided to CHE and designated for these purposes.

The information presented below has been calculated and is presented in accordance with the Catholic Health Association's, *A Guide for Planning and Reporting Community Benefits*, Copyright 2012. Social accountability costs for the years ended December 31 are as follows:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
Cost of care for those who are poor	\$70,310	\$57,691
Cost of community benefit programs	76,175	73,788
Other public programs	11,425	9,786
Unpaid cost of Medicaid programs	96,133	79,827
Social accountability costs	<u>\$254,043</u>	<u>\$221,092</u>
Percentage of operating expenses	<u>5.5%</u>	<u>4.8%</u>
Unpaid cost of Medicare programs	<u>\$147,349</u>	<u>\$197,923</u>

The cost of care of the poor is based on the System's estimated net cost of providing services to those unable to pay. The cost of the community benefit programs reflects the costs to develop and provide programs that are developed and provided to meet special community needs that would not otherwise be available. Volunteer service reflects both internal and external services provided to support patient care activities and community programs. The difference between amounts reimbursed to the System under the Medicare and Medicaid programs and the estimated cost of providing care for these respective programs is reflected as an unpaid cost of the program.

**Catholic Health East**  
**Consolidating Balance Sheet**  
**Year Ended December 31, 2012**

(in thousands of dollars)

	Consolidated	Mercy Health System of Maine	Sisters of Providence Health System, Inc	St Peter's Health Partners	St James Mercy Health System, Inc	Maxis Health System	Mercy Health System of SEPA	St Mary Medical Center	Our Lady of Lourdes Health Care Services, Inc	Pittsburgh Mercy Health System, Inc
<b>Assets</b>										
Current Assets										
Cash and cash equivalents	\$368,351	\$1,217	\$22,282	\$89,187	\$602	\$33	\$53,787	\$152,485	\$7,699	\$24,383
Investments	154,115	-	-	149,121	1,042	581	285	-	-	-
Marketable securities whose use is limited	18,106	-	-	251	-	8	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles	426,227	-	32,145	95,496	5,213	419	73,006	48,731	54,161	4,746
Collateral received on securities pledged	67,972	-	-	-	-	-	-	-	-	-
Other accounts receivable	118,744	-	2,659	28,596	566	8	5,886	6,770	22,445	16,100
Prepaid expenses and inventories	104,604	-	5,513	16,870	1,903	-	14,926	12,504	12,334	1,409
Assets held for sale	69,159	45,130	-	-	-	-	-	-	-	-
Total Current Assets	1,327,278	46,347	62,599	379,521	9,326	1,049	147,890	220,490	96,639	46,638
Marketable securities and investments whose use is limited										
Board-designated funds	300,328	-	3,422	152,589	6,308	3,733	10,000	-	1,957	87,095
Trustee-held funds	82,743	-	2,665	38,568	-	1,525	3,897	10,380	-	230
Donor-restricted funds	111,545	3,579	4,553	52,869	488	-	5,216	13,063	2,999	3,467
Investments	598,431	-	-	27,799	1,151	-	126,281	75,364	1,665	-
Total marketable securities and investments whose use is limited	1,093,047	3,579	10,640	271,825	7,947	5,258	145,394	98,807	6,621	90,792
Property and equipment, net	1,879,120	-	90,124	675,020	15,258	183	175,216	207,920	150,946	10,383
Equity investments in managed funds	334,721	-	-	-	-	-	-	-	-	-
Investments in unconsolidated organizations	1,616,988	-	6,968	1,057	-	15	163,387	5,917	11,569	-
Assets held for sale	267,203	162,334	2,743	-	158	3,200	-	-	-	-
Goodwill	32,852	-	-	1,697	-	-	71	-	29,554	-
Other assets	206,282	-	18,605	49,602	6,611	2,315	98,914	24,507	16,438	4,658
Total assets	\$6,757,491	\$212,260	\$191,679	\$1,378,722	\$39,300	\$12,020	\$730,872	\$557,641	\$311,767	\$152,471
<b>Liabilities and Net Assets</b>										
Current Liabilities										
Current portion of long-term debt and capital lease obligations	\$97,365	\$ -	\$2,523	\$55,076	\$1,297	\$775	\$9,827	\$4,755	\$5,362	\$1,199
Portion of variable rate demand obligations classified as current	29,325	-	-	-	-	-	-	3,395	-	-
Accounts payable and accrued expenses	453,969	-	25,290	97,402	6,323	32,493	74,673	37,032	57,098	13,503
Collateral due broker on securities pledged	67,972	-	-	-	-	-	-	-	-	-
Estimated third party payor settlements, net	102,096	-	12,940	31,477	3,725	1,106	16,355	2,188	15,199	-
Other	152,659	-	7,046	20,110	630	99	38,143	28,642	12,704	2,473
Liabilities related to assets held for sale	101,105	51,943	-	-	-	-	-	-	-	-
Total current liabilities	1,004,491	51,943	47,799	204,065	11,975	34,473	138,998	76,012	90,363	17,175
Long-term debt, net	1,151,590	-	53,040	300,788	7,444	8,508	149,139	131,640	123,432	3,522
Other liabilities	149,397	-	2,140	23,396	871	88	12,285	6,963	20,871	(2)
Pension liabilities	417,481	-	11,787	33,623	-	6,972	127,953	12,644	21,917	20,699
Insurance liabilities, net of current portion	284,966	-	18,376	44,505	8,631	2,216	96,879	24,901	19,351	1,748
Other liabilities related to assets held for sale	318,811	82,143	-	-	-	-	-	-	-	-
Deferred revenue from entrance fees	91,059	-	-	48,673	-	-	-	-	-	-
Total liabilities	3,417,795	134,086	133,142	655,050	28,921	52,257	525,254	252,160	275,934	43,142
Net assets										
Unrestricted	3,146,859	73,817	53,935	654,205	9,883	(40,237)	198,782	296,736	31,978	101,416
Temporarily restricted	143,010	2,569	2,336	42,550	226	-	2,739	8,745	3,590	7,913
Permanently restricted	49,827	1,788	2,266	26,917	270	-	4,097	-	265	-
Total net assets	3,339,696	78,174	58,537	723,672	10,379	(40,237)	205,618	305,481	35,833	109,329
Total liabilities and net assets	\$6,757,491	\$212,260	\$191,679	\$1,378,722	\$39,300	\$12,020	\$730,872	\$557,641	\$311,767	\$152,471

**Catholic Health East**  
**Consolidating Balance Sheet**  
**Year Ended December 31, 2012**

(in thousands of dollars)

	Saint Francis Healthcare	St Francis Medical Center	Saint Michael's Medical Center	Holy Cross Hospital, Inc	St Joseph's Health System, Inc	Mercy Hospital, Inc	St Mary's Health Care System, Inc	Mercy Medical Corporation	Mercy Community Health, Inc	St Joseph's of the Pines, Inc
<b>Assets</b>										
Current Assets										
Cash and cash equivalents	\$233	\$1,440	\$25,767	\$19,799	\$5,772	\$689	\$30,533	\$1,778	\$ -	\$1,972
Investments	-	-	-	-	2,174	853	-	-	-	-
Marketable securities whose use is limited	-	-	5,010	35	-	-	-	-	1,402	-
Patient accounts receivable, net of estimated uncollectibles	12,421	12,739	-	58,338	72	-	22,976	1,221	3,106	1,437
Collateral received on securities pledged	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	2,181	226	-	3,484	1,750	557	4,043	98	40	2,565
Prepaid expenses and inventories	4,388	3,188	-	13,524	340	5	4,840	285	624	223
Assets held for sale	-	-	24,029	-	-	-	-	-	-	-
Total Current Assets	19,223	17,593	54,806	95,180	10,108	2,104	62,392	3,382	5,172	6,197
Marketable securitiesand investments whose use is limited										
Board-designated funds	-	2,147	14,845	62,464	36,214	4,542	12,849	5,679	-	10,523
Trustee-held funds	1,819	-	8,691	10,394	-	-	3,324	-	1,250	-
Donor-restricted funds	362	1,269	-	14,426	-	1,619	7,327	31	277	-
Investments	-	-	-	-	201,106	4,509	15,582	122	-	4,995
Total marketable securitiesand investments whose use is limited	2,181	3,416	23,536	87,284	237,320	10,670	39,082	5,832	1,527	15,518
Property and equipment, net	54,555	45,421	-	241,048	11,203	3	83,752	3,890	26,143	69,186
Equity investments in managed funds	-	-	-	-	-	-	-	-	-	-
Investments in unconsolidated organizations	563	1,556	-	2,267	60,519	271	-	-	-	50
Assets held for sale	2,015	-	78,149	18,384	-	-	-	220	-	-
Goodwill	-	1,530	-	-	-	-	-	-	-	-
Other assets	5,390	2,482	34,288	24,706	59,528	6,588	4,564	2,303	895	1,573
Total assets	\$83,927	\$71,998	\$190,779	\$468,869	\$378,678	\$19,636	\$189,790	\$15,627	\$33,737	\$92,524
<b>Liabilities and Net Assets</b>										
Current Liabilities										
Current portion of long-term debt and capital lease obligations	\$1,786	\$998	\$1,213	\$6,841	\$ -	\$ -	\$1,166	\$ -	\$1,056	\$1,285
Portion of variable rate demand obligations classified as current	-	200	-	4,620	-	-	-	12,685	-	8,425
Accounts payable and accrued expenses	54,263	24,020	118,080	30,738	1,886	12,278	27,491	1,665	7,349	2,487
Collateral due broker on securities pledged	-	-	-	-	-	-	-	-	-	-
Estimated third party payor settlements, net	4,398	13,687	-	3,184	1,554	16,061	3,213	-	389	-
Other	6,237	3,652	-	15,484	2,667	6,434	3,374	219	2,417	911
Liabilities related to assets held for sale	-	-	30,312	18,850	-	-	-	-	-	-
Total current liabilities	66,684	42,557	149,605	79,717	6,107	34,773	35,244	14,569	11,211	13,108
Long-term debt, net	39,545	16,843	11,496	121,080	2,222	-	20,968	-	24,612	46,036
Other liabilities	350	666	-	11,772	1,008	-	165	1,405	1,383	7,608
Pension liabilities	12,375	9,598	-	67,858	62,995	-	21,558	-	622	77
Insurance liabilities, net of current portion	8,617	3,175	7,363	30,882	78	4,646	3,846	2,334	641	422
Other liabilities related to assets held for sale	-	-	236,668	-	-	-	-	-	-	-
Deferred revenue from entrance fees	-	-	-	-	-	-	-	-	15,041	27,345
Total liabilities	127,571	72,839	405,132	311,309	72,410	39,419	81,781	18,308	53,510	94,596
Net assets										
Unrestricted	(44,006)	(2,111)	(216,582)	140,728	286,924	(21,556)	107,583	(2,929)	(20,175)	(2,566)
Temporarily restricted	362	655	2,229	14,891	15,440	1,619	326	248	125	336
Permanently restricted	-	615	-	1,941	3,904	154	100	-	277	158
Total net assets	(43,644)	(841)	(214,353)	157,560	306,268	(19,783)	108,009	(2,681)	(19,773)	(2,072)
Total liabilities and net assets	\$83,927	\$71,998	\$190,779	\$468,869	\$378,678	\$19,636	\$189,790	\$15,627	\$33,737	\$92,524

**Catholic Health East**  
**Consolidating Balance Sheet**  
**Year Ended December 31, 2012**

(in thousands of dollars)

	Mercy Uihlein Health Corp	Catholic Health System, Inc	Baycare Health System	Intracoastal	SJSA Foundation	Allegany Franciscan Ministries	CHE System Office	CHE Insurance Prog On- Shore	Stella Maris	Global Health Ministries	Eliminations
<b>Assets</b>											
Current Assets											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$468	\$1,551	\$4,046	\$153,626	\$1,044	\$9,438	\$1,032	(\$242,512)
Investments	-	-	-	-	59	-	-	-	-	-	-
Marketable securities whose use is limited	-	-	-	-	-	-	11,400	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles	-	-	-	-	-	-	-	-	-	-	-
Collateral received on securities pledged	-	-	-	-	-	-	-	-	-	-	67,972
Other accounts receivable	-	-	-	-	-	-	13,339	28,394	54,998	2	(75,963)
Prepaid expenses and inventories	-	-	-	-	1,501	10	30,499	-	6,462	1	(26,745)
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	-	-	-	468	3,111	4,056	208,864	29,438	70,898	1,035	(277,248)
Marketable securities and investments whose use is limited											
Board-designated funds	-	-	-	-	4,850	-	-	-	215,832	-	(334,721)
Trustee-held funds	-	-	-	-	-	-	-	-	-	-	-
Donor-restricted funds	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	19,143	120,649	65	-	-	-	-
Total marketable securities and investments whose use is limited	-	-	-	-	23,993	120,649	65	-	215,832	-	(334,721)
Property and equipment, net	-	-	-	-	41	17	18,811	-	-	-	-
Equity investments in managed funds	-	-	-	-	-	-	-	-	-	-	334,721
Investments in unconsolidated organizations	-	12,116	1,350,732	-	-	-	1	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Other assets	336	-	-	1,296	(908)	7	45,715	-	-	-	(204,131)
Total assets	\$336	\$12,116	\$1,350,732	\$1,764	\$26,237	\$124,729	\$273,456	\$29,438	\$286,730	\$1,035	(\$481,379)
<b>Liabilities and Net Assets</b>											
Current Liabilities											
Current portion of long-term debt and capital lease obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,206	\$ -	\$ -	\$ -	\$ -
Portion of variable rate demand obligations classified as current	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	323	-	-	-	101	10	89,249	139	215	27	(260,166)
Collateral due broker on securities pledged	-	-	-	-	-	-	-	-	-	-	67,972
Estimated third party payor settlements, net	-	-	-	-	-	-	-	-	-	-	(23,380)
Other	-	-	-	1,494	-	6,744	232	16,512	14,237	-	(37,802)
Liabilities related to assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	323	-	-	1,494	101	6,754	91,687	16,651	14,452	27	(253,376)
Long-term debt, net	-	-	-	-	-	-	118,725	-	-	-	(27,450)
Other liabilities	189	-	-	270	473	-	23,096	-	41,209	-	(6,809)
Pension liabilities	2,092	-	-	-	-	-	12,346	-	-	-	(7,635)
Insurance liabilities, net of current portion	336	-	-	-	-	-	458	19,607	172,068	-	(186,114)
Other liabilities related to assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue from entrance fees	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	2,940	-	-	1,764	574	6,754	246,312	36,258	227,729	27	(481,384)
Net assets											
Unrestricted	(2,604)	9,963	1,329,822	-	5,985	117,975	27,144	(6,820)	59,001	563	5
Temporarily restricted	-	2,099	15,072	-	18,495	-	-	-	-	445	-
Permanently restricted	-	54	5,838	-	1,183	-	-	-	-	-	-
Total net assets	(2,604)	12,116	1,350,732	-	25,663	117,975	27,144	(6,820)	59,001	1,008	5
Total liabilities and net assets	\$336	\$12,116	\$1,350,732	\$1,764	\$26,237	\$124,729	\$273,456	\$29,438	\$286,730	\$1,035	(\$481,379)



**Catholic Health East**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

	<b>Consolidated</b>	<b>Mercy Health System of Maine</b>	<b>Sisters of Providence Health System, Inc</b>	<b>St Peter's Health Partners</b>	<b>St James Mercy Health System, Inc</b>	<b>Maxis Health System</b>	<b>Mercy Health System of SEPA</b>	<b>St Mary Medical Center</b>	<b>Our Lady of Lourdes Health Care Services, Inc</b>	<b>Pittsburgh Mercy Health System, Inc</b>
Net patient service revenue, net of bad debt expense	\$3,877,621	\$ -	\$276,300	\$993,750	\$48,430	\$ -	\$680,798	\$436,638	\$455,841	\$34,942
Other operating revenue, gains and other support	357,420	-	27,785	75,877	1,723	3	69,251	13,133	25,430	59,054
Total unrestricted revenues, gains and other support	4,235,041	-	304,085	1,069,627	50,153	3	750,049	449,771	481,271	93,996
Expenses										
Salaries, wages and benefits	2,298,084	-	170,901	568,005	30,680	18	411,371	208,830	254,154	64,491
Medical supplies	560,708	-	33,040	158,326	4,742	-	70,687	68,738	64,362	-
Purchased services, professional fees and other expenses	966,244	-	65,957	218,986	14,987	23	208,752	106,070	130,407	24,702
Depreciation and amortization	190,360	-	11,240	61,851	2,391	12	26,332	18,517	17,846	562
Interest	44,102	-	1,952	16,474	164	2	4,913	5,089	3,825	-
Insurance	57,066	-	2,953	14,731	602	-	18,840	7,000	7,007	661
Total operating expenses	4,116,564	-	286,043	1,038,373	53,566	55	740,895	414,244	477,601	90,416
Operating income (loss)	118,477	-	18,042	31,254	(3,413)	(52)	9,154	35,527	3,670	3,580
Non-operating gains (losses)										
Investment returns, net	97,873	1,786	523	23,225	899	70	6,451	6,529	1,122	4,054
Equity in gains in earnings of unconsolidated organizations	135,405	-	1,316	-	-	-	581	474	454	-
Impairment losses	(90)	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	28,021	(146)	-	(627)	(63)	28	3,525	(43)	21,021	-
Loss on extinguishment of debt	(2,908)	-	-	-	-	-	(783)	(133)	-	-
Change in fair value of interest rate swaps	6,424	978	738	(415)	-	133	2,119	1,109	1,659	-
Total non-operating gains (losses)	264,725	2,618	2,577	22,183	836	231	11,893	7,936	24,256	4,054
Excess (deficit) of revenues over expenses	\$383,202	\$2,618	\$20,619	\$53,437	(\$2,577)	\$179	\$21,047	\$43,463	\$27,926	\$7,634

**Catholic Health East**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

Net patient service revenue, net of bad debt expense	\$124,608	\$144,661	\$ -	\$434,080	\$786	\$ -	\$185,539	\$11,081	\$29,442	\$20,725
Other operating revenue, gains and other support	7,018	6,283	-	13,901	17,155	548	5,164	1,142	12,117	17,776
Total unrestricted revenues, gains and other support	131,626	150,944	-	447,981	17,941	548	190,703	12,223	41,559	38,501

**Expenses**

Salaries, wages and benefits	68,262	65,591	-	223,128	11,107	340	90,599	8,361	24,216	18,535
Medical supplies	16,014	23,444	-	82,578	453	4	34,934	1,131	488	1,767
Purchased services, professional fees and other expenses	37,860	50,078	-	92,451	4,630	278	47,106	5,403	11,594	14,380
Depreciation and amortization	5,834	5,719	-	19,512	807	1	9,772	496	2,367	4,411
Interest	1,178	585	-	4,779	91	-	901	388	1,239	1,973
Insurance	2,099	2,599	-	10,581	203	17	1,690	118	242	176

Total operating expenses	131,247	148,016	-	433,029	17,291	640	185,002	15,897	40,146	41,242
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Operating income (loss)	379	2,928	-	14,952	650	(92)	5,701	(3,674)	1,413	(2,741)
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**Non-operating gains (losses)**

Investment returns, net	(99)	6	-	6,187	15,444	1,246	3,207	512	57	1,637
Equity in gains in earnings of unconsolidated organizations	58	142	-	235	(88,879)	51	-	-	-	-
Impairment losses	-	(104)	-	-	-	-	-	14	-	-
Gain (loss) on sale of assets	77	-	-	(35)	(246)	-	(62)	4,394	198	-
Loss on extinguishment of debt	(13)	(12)	-	(791)	-	-	-	-	-	(1,176)
Change in fair value of interest rate swaps	613	227	-	1,035	-	-	239	406	237	743
Total non-operating gains (losses)	636	259	-	6,631	(73,681)	1,297	3,384	5,326	492	1,204

Excess (deficit) of revenues over expenses	\$1,015	\$3,187	\$ -	\$21,583	(\$73,031)	\$1,205	\$9,085	\$1,652	\$1,905	(\$1,537)
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**Catholic Health East**  
**Consolidating Statement of Operations**  
**December 31, 2012**

(in thousands of dollars)

**Unrestricted revenue, gains and other support**

	Mercy Uihlein Health Corp	Catholic Health System, Inc	Baycare Health System	SJSA Foundation	Allegany Franciscan Ministries	CHE System Office	CHE Insurance Progm On- Shore	Stella Maris	Global Health Ministries	Eliminations
Net patient service revenue, net of bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenue, gains and other support	-	-	-	2,839	8,252	142,026	-	37,444	715	(187,216)
Total unrestricted revenues, gains and other support	-	-	-	2,839	8,252	142,026	-	37,444	715	(187,216)
Expenses										
Salaries, wages and benefits	48	-	-	1,174	792	77,174	-	-	307	-
Medical supplies	-	-	-	-	-	-	-	-	-	-
Purchased services, professional fees and other expenses	-	-	-	673	7,434	63,233	-	1,359	257	(140,376)
Depreciation and amortization	-	-	-	5	6	2,679	-	-	-	-
Interest	-	-	-	-	-	551	-	-	(2)	-
Insurance	-	-	-	-	20	209	2,973	31,180	5	(46,840)
Total operating expenses	48	-	-	1,852	8,252	143,846	2,973	32,539	567	(187,216)
Operating income (loss)	(48)	-	-	987	-	(1,820)	(2,973)	4,905	148	-
Non-operating gains (losses)										
Investment returns, net	-	-	-	2,293	2,261	3,834	-	16,625	4	-
Equity in gains in earnings of unconsolidated organizations	-	9,187	211,786	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swaps	-	-	-	-	-	(3,397)	-	-	-	-
Total non-operating gains (losses)	-	9,187	211,786	2,293	2,261	437	-	16,625	4	-
Excess (deficit) of revenues over expenses	(\$48)	\$9,187	\$211,786	\$3,280	\$2,261	(\$1,383)	(\$2,973)	\$21,530	\$152	\$ -

**Catholic Health East**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	CHE Consolidated	Mercy Health System of Maine	Sisters of Providence Health System, Inc	St Peter's Health Partners	St James Mercy Health System, Inc	Maxis Health System	Mercy Health System of SEPA	St Mary Medical Center	Our Lady of Lourdes Health Care Services, Inc	Pittsburg Mercy Health System, Inc
<i>(in thousands of dollars)</i>										
<b>Unrestricted net assets</b>										
Excess (deficit) of revenue over expenses	\$383,202	\$2,618	\$20,619	\$53,437	(\$2,577)	\$179	\$21,047	\$43,463	\$27,926	\$7,634
Change in unrealized gains on available-for-sale securities	3,553	-	-	-	-	-	3,553	-	-	-
(Decrease) increase in pension liability adjustment - consolidated organizations	(15,219)	-	97	1,312	-	(2,451)	(4,409)	2,138	(1,721)	(5,427)
(Decrease) increase in pension liability adjustment - unconsolidated organizations	(8,875)	-	-	-	-	-	-	-	-	-
Net assets released from restriction for capital expenditures	10,418	1,523	501	1,793	20	-	499	153	-	-
Other changes	(9,032)	133	(934)	285	227	6	(2,387)	(774)	(1,380)	769
Increase (decrease) in unrestricted net assets before discontinued operations	364,047	4,274	20,283	56,827	(2,330)	(2,266)	18,303	44,980	24,825	2,976
(Loss) income from discontinued operations	(171,771)	(9,234)	765	-	(907)	(3,868)	500	-	2,643	(1,609)
Increase (decrease) in unrestricted net assets	192,276	(4,960)	21,048	56,827	(3,237)	(6,134)	18,803	44,980	27,468	1,367
<b>Temporarily restricted net assets</b>										
Contributions	22,078	3,624	522	4,081	43	-	431	2,792	801	607
Investment income (loss)	1,272	11	36	713	-	-	3	-	466	25
Change in unrealized gains (losses) on investments	4,800	16	176	4,080	-	-	-	-	252	-
Net assets released from restrictions	(25,000)	(2,093)	(885)	(3,843)	(45)	-	(1,046)	(1,299)	(1,523)	(978)
Other changes	(754)	-	31	(2,337)	-	-	22	6	-	-
Increase (decrease) in temporarily restricted net assets	2,396	1,558	(120)	2,694	(2)	-	(590)	1,499	(4)	(346)
<b>PERMANENTLY RESTRICTED NET ASSETS</b>										
Contributions	670	656	-	12	-	-	-	-	-	-
Investment income	1,248	80	143	506	-	-	-	-	-	-
Other	1,203	-	-	1,091	-	-	130	-	-	-
Increase (decrease) in permanently restricted net assets	3,121	736	143	1,609	-	-	130	-	-	-
Increase in net assets	197,793	(2,666)	21,071	61,130	(3,239)	(6,134)	18,343	46,479	27,464	1,021
<b>Net assets</b>										
Beginning of the year	3,141,903	80,839	37,467	662,542	13,618	(34,103)	187,275	259,002	8,369	108,308
End of the year	\$3,339,696	\$78,173	\$58,538	\$723,672	\$10,379	(\$40,237)	\$205,618	\$305,481	\$35,833	\$109,329

**Catholic Health East**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	Saint Francis Healthcare	St Francis Medical Center	Saint Michael's Medical Center	Holy Cross Hospital, Inc	St Joseph's Health System, Inc	Mercy Hospital, Inc	St Mary's Health Care System, Inc	Mercy Medical Corporation	Mercy Community Health, Inc	St Joseph's of the Pines
<b>Unrestricted net assets</b>										
Excess (deficit) of revenue over expenses	\$1,015	\$3,187	\$ -	\$21,583	(\$73,031)	\$1,205	\$9,085	\$1,652	\$1,905	(\$1,537)
Change in unrealized gains on available-for-sale securities	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment - consolidated organizations	(375)	168	-	(6,321)	(629)	-	(2,544)	-	-	-
(Decrease) increase in pension liability adjustment - unconsolidated organizations	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction for capital expenditures	131	14	-	4,722	539	-	-	110	413	-
Other changes	(493)	(556)	(1,364)	(2,359)	(9,100)	4	(510)	-	-	(24)
Increase (decrease) in unrestricted net assets before discontinued operations	278	2,813	(1,364)	17,625	(82,221)	1,209	6,031	1,762	2,318	(1,561)
(Loss) income from discontinued operations	(4,106)	-	(151,454)	(1,610)	(163)	(2,103)	-	(570)	-	-
Increase (decrease) in unrestricted net assets	(3,828)	2,813	(152,818)	16,015	(82,384)	(894)	6,031	1,192	2,318	(1,561)
<b>Temporarily restricted net assets</b>										
Contributions	964	65	-	4,299	240	-	-	342	35	162
Investment income (loss)	-	3	-	204	178	-	-	-	(1)	-
Change in unrealized gains (losses) on investments	-	3	-	(40)	-	-	-	-	65	-
Net assets released from restrictions	(836)	-	303	(6,847)	(1,323)	(369)	(230)	(290)	(282)	(75)
Other changes	-	24	769	(522)	1,194	-	-	-	(49)	-
Increase (decrease) in temporarily restricted net assets	128	95	1,072	(2,906)	289	(369)	(230)	52	(232)	87
<b>PERMANENTLY RESTRICTED NET ASSETS</b>										
Contributions	-	2	-	-	-	-	-	-	-	-
Investment income	-	3	-	-	-	-	-	-	-	-
Other	-	(118)	-	-	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	(113)	-	-	-	-	-	-	-	-
Increase in net assets	(3,700)	2,795	(151,746)	13,109	(82,095)	(1,263)	5,801	1,244	2,086	(1,474)
<b>Net assets</b>										
Beginning of the year	(39,944)	(3,636)	(62,607)	144,451	388,363	(18,520)	102,208	(3,925)	(21,859)	(598)
End of the year	(\$43,644)	(\$841)	(\$214,353)	\$157,560	\$306,268	(\$19,783)	\$108,009	(\$2,681)	(\$19,773)	(\$2,072)

**Catholic Health East**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

**Unrestricted net assets**

	Mercy Uihlein Health Corp	Catholic Health System, Inc	Baycare Health System	SJSA Foundation	Allegany Franciscan Ministries	CHE System Office	CHE Insurance Progm On- Shore	Stella Maris	Global Health Ministries	Eliminations
Excess (deficit) of revenue over expenses	(\$48)	\$9,187	\$211,786	\$3,280	\$2,261	(\$1,383)	(\$2,973)	\$21,530	\$152	\$ -
Change in unrealized gains on available-for-sale securities	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment - consolidated organizations	(396)	-	-	-	-	5,339	-	-	-	-
(Decrease) increase in pension liability adjustment - unconsolidated organizations	-	(9,981)	1,106	-	-	-	-	-	-	-
Net assets released from restriction for capital expenditures	-	-	-	-	-	-	-	-	-	-
Other changes	(1)	-	-	(737)	-	51,851	(1,688)	(40,000)	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	(445)	(794)	212,892	2,543	2,261	55,807	(4,661)	(18,470)	152	-
(Loss) income from discontinued operations	(55)	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	(500)	(794)	212,892	2,543	2,261	55,807	(4,661)	(18,470)	152	-

**Temporarily restricted net assets**

Contributions	-	141	414	2,515	-	-	-	-	-	-
Investment income (loss)	-	12	(381)	-	-	-	-	-	3	-
Change in unrealized gains (losses) on investments	-	-	-	248	-	-	-	-	-	-
Net assets released from restrictions	-	(260)	(829)	(1,882)	-	-	-	-	(368)	-
Other changes	-	103	-	-	-	-	-	-	-	5
Increase (decrease) in temporarily restricted net assets	-	(4)	(796)	881	-	-	-	-	(365)	5

**PERMANENTLY RESTRICTED NET ASSETS**

Contributions	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	516	-	-	-	-	-	-	-
Other	-	-	-	100	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	516	100	-	-	-	-	-	-

Increase in net assets	(500)	(798)	212,612	3,524	2,261	55,807	(4,661)	(18,470)	(213)	5
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**Net assets**

Beginning of the year	(2,104)	12,914	1,138,120	22,139	115,714	(28,663)	(2,159)	77,471	1,221	-
End of the year	(\$2,604)	\$12,116	\$1,350,732	\$25,663	\$117,975	\$27,144	(\$6,820)	\$59,001	\$1,008	\$5

**Mercy Health System of Maine**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents

Assets held for sale

Total current assets

Marketable securities and investments whose use is limited

Donor-restricted funds

Total marketable securities and investments whose use is limited

Assets held for sale

Total assets

**Liabilities and Net Assets**

Current liabilities

Liabilities related to assets held for sale

Total current liabilities

Other liabilities related to assets held for sale

Total liabilities

Net assets

Unrestricted

Temporarily restricted

Permanently restricted

Total net assets

Total liabilities and net assets

	<b>Total Mercy Health System of Maine</b>	<b>MHSM Corporate Office</b>	<b>Mercy Hospital</b>	<b>VNA Home Health and Hospice</b>
	\$1,217	\$708	(\$2,840)	\$3,349
	45,130	-	42,179	2,951
	46,347	708	39,339	6,300
	3,579	-	3,525	54
	3,579	-	3,525	54
	162,334	467	153,208	8,659
	\$212,260	\$1,175	\$196,072	\$15,013
	\$51,943	\$700	\$49,734	\$1,509
	51,943	700	49,734	1,509
	82,143	467	81,676	-
	134,086	1,167	131,410	1,509
	73,817	8	60,359	13,450
	2,569	-	2,525	44
	1,788	-	1,778	10
	78,174	8	64,662	13,504
	\$212,260	\$1,175	\$196,072	\$15,013

**Mercy Health System of Maine**  
**Consolidating Statement of Operations and Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Total Mercy Health System of Maine</b>	<b>MHSM Corporate Office</b>	<b>Mercy Hospital</b>	<b>VNA Home Health and Hospice</b>
<b>Unrestricted non-operating gains (losses)</b>				
Investment returns, net	\$1,786	\$ -	\$1,188	\$598
Loss on sale of assets	(146)	-	(146)	-
Change in fair value of interest rate swaps	978	-	978	-
Excess of revenues over expenses	2,618	-	2,020	598
Net assets released from restrictions for capital expenditures	1,523	-	1,523	-
Other changes	133	-	133	-
Increase in unrestricted net assets before discontinued operations	4,274	-	3,676	598
Loss from discontinued operations	(9,234)	-	(10,192)	958
(Decrease) increase in unrestricted net assets	(4,960)	-	(6,516)	1,556
<b>Temporarily restricted net assets</b>				
Contributions	3,624	-	3,591	33
Investment income	11	-	11	-
Change in unrealized gains on investments	16	-	16	-
Net assets released from restrictions	(2,093)	-	(2,067)	(26)
Increase in temporarily restricted net assets	1,558	-	1,551	7
<b>Permanently restricted net assets</b>				
Contributions	656	-	656	-
Net realized and unrealized losses on investments	80	-	79	1
Increase in permanently restricted net assets	736	-	735	1
(Decrease) increase in net assets	(2,666)	-	(4,230)	1,564
<b>Net assets</b>				
Beginning of year	80,839	7	68,892	11,940
End of year	<u>\$78,173</u>	<u>\$7</u>	<u>\$64,662</u>	<u>\$13,504</u>



**Sisters of Providence Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc	Mercy Medical Center	Providence Behavioral Health Hospital	System Coordinated Services, Inc	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc	Pioneer Valley Cardiology Associates Inc	Mercy Oncology Services, Inc
<b>Assets</b>										
Current assets										
Cash and cash equivalents	\$22,282	(\$18,836)	\$130,341	(\$51,727)	(\$11,494)	(\$110)	(\$3,752)	(\$19,921)	(\$1,551)	(\$668)
Patient accounts receivable, net of estimated uncollectibles of \$10,831	32,145	-	22,025	3,370	2,555	2,417	295	354	959	170
Other accounts receivable	2,659	1,303	706	32	379	102	129	8	-	-
Prepaid expenses and inventories	5,513	461	4,237	230	507	57	5	5	4	7
Assets held for sale	2,743	-	-	-	-	2,743	-	-	-	-
Total current assets	65,342	(17,072)	157,309	(48,095)	(8,053)	5,209	(3,323)	(19,554)	(588)	(491)
Marketable securities and investments whose use is limited										
Board-designated funds	3,422	-	-	-	-	-	-	3,422	-	-
Trustee-held funds	2,665	-	-	2,265	-	293	-	107	-	-
Donor-restricted funds	4,553	283	1,790	279	-	1,785	-	416	-	-
Total marketable securities and investments whose use is limited	10,640	283	1,790	2,544	-	2,078	-	3,945	-	-
Property and equipment, net	90,124	5,810	71,877	6,791	2,966	2,671	9	-	-	-
Investments in unconsolidated organizations	6,968	6,185	376	-	407	-	-	-	-	-
Other assets	18,605	17,232	778	294	(10)	129	-	182	-	-
Total assets	\$191,679	\$12,438	\$232,130	(\$38,466)	(\$4,690)	\$10,087	(\$3,314)	(\$15,427)	(\$588)	(\$491)
<b>Liabilities and Net Assets</b>										
Current liabilities										
Current portion of long-term debt and capital leases	\$2,523	\$8	\$1,185	\$663	\$342	\$269	\$ -	\$56	\$ -	\$ -
Accounts payable and accrued expenses	25,290	3,446	12,857	2,627	2,979	2,662	169	195	170	185
Estimated third party payor settlements, net	12,940	-	11,878	424	638	-	-	-	-	-
Other	7,046	(2,681)	4,097	883	13	4,733	30	(50)	14	7
Total current liabilities	47,799	773	30,017	4,597	3,972	7,664	199	201	184	192
Long-term debt, net	53,040	155	22,144	22,297	623	6,307	-	1,514	-	-
Other liabilities	2,140	3	786	1,143	130	68	-	10	-	-
Pension liabilities	11,787	218	8,516	2,276	1,019	(280)	-	38	-	-
Insurance liabilities, net of current portion	18,376	15,417	1,717	435	152	249	208	198	-	-
Total liabilities	133,142	16,566	63,180	30,748	5,896	14,008	407	1,961	184	192
Net assets										
Unrestricted	53,935	(4,291)	167,077	(69,495)	(10,586)	(5,707)	(3,721)	(17,887)	(772)	(683)
Temporarily restricted	2,336	113	1,741	55	-	135	-	292	-	-
Permanently restricted	2,266	50	132	226	-	1,651	-	207	-	-
Total net assets	58,537	(4,128)	168,950	(69,214)	(10,586)	(3,921)	(3,721)	(17,388)	(772)	(683)
Total liabilities and net assets	\$191,679	\$12,438	\$232,130	(\$38,466)	(\$4,690)	\$10,087	(\$3,314)	(\$15,427)	(\$588)	(\$491)

**Sisters of Providence Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

(in thousands of dollars)

	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc</b>	<b>Mercy Medical Center</b>	<b>Providence Behavioral Health Hospital</b>	<b>System Coordinated Services, Inc</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc</b>	<b>Pioneer Valley Cardiology Associates Inc</b>	<b>Mercy Oncology Services, Inc</b>	<b>Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>											
Net patient service revenue, net of provision for bad debts of \$8,905	\$276,300	\$ -	\$186,500	\$26,038	\$39,004	\$28,190	\$2,330	\$2,130	\$1,212	\$374	(\$9,478)
Other operating revenue, gains and other support	27,785	28,898	15,904	7,093	2,201	811	-	352	(7)	-	(27,467)
Total unrestricted revenue, gains and other support	304,085	28,898	202,404	33,131	41,205	29,001	2,330	2,482	1,205	374	(36,945)
<b>Expenses</b>											
Salaries, wages and benefits	170,901	13,537	80,842	26,973	26,666	18,180	2,506	1,866	256	75	-
Medical supplies	33,040	(58)	27,706	555	4,151	466	-	-	5	215	-
Purchased services, professional fees and other expenses	65,957	13,171	54,632	8,428	13,297	9,416	677	831	1,710	740	(36,945)
Depreciation and amortization	11,240	1,857	7,756	816	462	342	-	7	-	-	-
Interest	1,952	(350)	714	864	98	579	-	47	-	-	-
Insurance	2,953	386	1,735	303	317	124	48	9	5	26	-
Total operating expenses	286,043	28,543	173,385	37,939	44,991	29,107	3,231	2,760	1,976	1,056	(36,945)
Operating income (loss)	18,042	355	29,019	(4,808)	(3,786)	(106)	(901)	(278)	(771)	(682)	-
<b>Non-operating gains (losses)</b>											
Investment returns, net	523	(72)	601	(182)	(59)	60	(16)	193	(1)	(1)	-
Equity in gains in earnings of unconsolidated organizations	1,316	1,219	-	-	97	-	-	-	-	-	-
Change in fair value of interest rate swaps	738	4	547	70	-	102	-	15	-	-	-
Total non-operating gains (losses)	2,577	1,151	1,148	(112)	38	162	(16)	208	(1)	(1)	-
Excess (deficit) of revenues over expenses	\$20,619	\$1,506	\$30,167	(\$4,920)	(\$3,748)	\$56	(\$917)	(\$70)	(\$772)	(\$683)	\$ -

**Sisters of Providence Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	Sisters of Providence Health System Consolidated	Sisters of Providence Health System, Inc	Mercy Medical Center	Providence Behavioral Health Hospital	System Coordinated Services, Inc	Continuing Care Network	Mercy Specialist Physicians	Brightside, Inc	Pioneer Valley Cardiology Associates Inc	Mercy Oncology Services, Inc
<b>Unrestricted net assets</b>										
Excess (deficit) of revenues over expenses	\$20,619	\$1,506	\$30,167	(\$4,920)	(\$3,748)	\$56	(\$917)	(\$70)	(\$772)	(\$683)
Increase (decrease) in pension liability adjustment	97	60	58	(10)	(89)	113	-	(35)	-	-
Net assets released from restrictions for capital expenditures	501	-	501	-	-	-	-	-	-	-
Other changes	(934)	(934)	100	-	(100)	-	-	-	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	20,283	632	30,826	(4,930)	(3,937)	169	(917)	(105)	(772)	(683)
Loss from discontinued operations	765	-	-	-	-	765	-	-	-	-
Increase (decrease) in unrestricted net assets	21,048	632	30,826	(4,930)	(3,937)	934	(917)	(105)	(772)	(683)
<b>Temporarily restricted net assets</b>										
Contributions	522	28	245	9	-	239	-	1	-	-
Investment income (loss)	36	(1)	40	(1)	-	(1)	-	(1)	-	-
Change in unrealized gains on investments	176	12	106	25	-	6	-	27	-	-
Net assets released from restrictions	(885)	(94)	(545)	(10)	-	(220)	-	(16)	-	-
Other changes	31	-	29	-	-	-	-	2	-	-
(Decrease) increase in temporarily restricted net assets	(120)	(55)	(125)	23	-	24	-	13	-	-
<b>Permanently restricted net assets</b>										
Net realized and unrealized gains on investments	143	-	-	-	-	125	-	18	-	-
Increase in permanently restricted net assets	143	-	-	-	-	125	-	18	-	-
Increase (decrease) in net assets	21,071	577	30,701	(4,907)	(3,937)	1,083	(917)	(74)	(772)	(683)
Beginning of year	37,467	(4,704)	138,249	(64,307)	(6,649)	(5,004)	(2,804)	(17,314)	0	0
End of year	<u>\$58,538</u>	<u>(\$4,127)</u>	<u>\$168,950</u>	<u>(\$69,214)</u>	<u>(\$10,586)</u>	<u>(\$3,921)</u>	<u>(\$3,721)</u>	<u>(\$17,388)</u>	<u>(\$772)</u>	<u>(\$683)</u>

**St. Peter's Health Partners**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents	\$89,187	\$25,533	\$51,502	\$12,152	\$ -	\$ -	\$ -
Investments	149,121	34,666	69,666	44,789	-	-	-
Marketable securities whose use is limited	251	-	2	249	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$57,383	95,496	51,892	33,186	10,624	-	-	(206)
Other accounts receivable	28,596	7,112	16,421	2,183	4,257	1,907	(3,284)
Prepaid expenses and inventories	16,870	7,892	6,584	2,373	21	-	-
Total current assets	379,521	127,095	177,361	72,370	4,278	1,907	(3,490)

Marketable securities and investments whose use is limited

Board-designated funds	152,589	66,085	58,590	27,914	-	-	-
Trustee-held funds	38,568	35,807	2,761	-	-	-	-
Donor-restricted funds	52,869	9,185	40,701	2,983	-	-	-
Investments	27,799	25,513	2,072	214	-	-	-
Total marketable securities and investments whose use is limited	271,825	136,590	104,124	31,111	-	-	-

Property and equipment, net

Goodwill	1,697	-	-	-	1,283	414	-
Investment in unconsolidated organizations	1,057	1,057	-	-	-	-	-
Other assets	49,602	27,022	18,194	5,837	698	(2,149)	-

Total assets	<u>\$1,378,722</u>	<u>\$655,254</u>	<u>\$484,970</u>	<u>\$137,245</u>	<u>\$13,389</u>	<u>\$91,354</u>	<u>(\$3,490)</u>
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**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital lease obligations	\$55,076	\$8,770	\$4,008	\$42,298	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	97,402	49,085	36,738	11,839	888	103	(1,251)
Estimated third party payor settlements, net	31,477	12,550	12,091	6,836	-	-	-
Other	20,110	6,040	11,689	2,150	127	2,343	(2,239)
Total current liabilities	204,065	76,445	64,526	63,123	1,015	2,446	(3,490)

Long-term debt, net

Other liabilities	23,396	9,292	9,553	4,551	-	-	-
Pension liabilities	33,623	(555)	33,514	664	-	-	-
Insurance liabilities, net of current portion	44,505	26,976	13,181	4,348	-	-	-
Deferred revenue from entrance fees	48,673	-	48,673	-	-	-	-
Total liabilities	655,050	359,317	223,076	72,686	1,015	2,446	(3,490)

Net assets

Unrestricted	654,205	282,657	208,949	61,317	12,374	88,908	-
Temporarily restricted	42,550	6,167	33,662	2,721	-	-	-
Permanently restricted	26,917	7,113	19,283	521	-	-	-
Total net assets	723,672	295,937	261,894	64,559	12,374	88,908	-

Total liabilities and net assets	<u>\$1,378,722</u>	<u>\$655,254</u>	<u>\$484,970</u>	<u>\$137,245</u>	<u>\$13,389</u>	<u>\$91,354</u>	<u>(\$3,490)</u>
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**St. Peter's Health Partners**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

Net patient service revenue, net of provision for bad debts of \$41,120

Other operating revenue, gains and other support

Total unrestricted revenues, gains and other support

**Expenses**

Salaries, wages and benefits

Medical supplies

Purchased services, professional fees and other expenses

Depreciation and amortization

Interest

Insurance

Total operating expenses

Operating income (loss)

**Non-operating gains (losses)**

Investment returns, net

(Loss) gain on sale of assets

Change in fair value of interest rate swaps

Total non-operating gains (losses)

Excess (deficit) of revenues over expenses

	St. Peter's Health Partners	St. Peter's Health Care Services, Inc.	Northeast Health	Seton Health	Health Partners Medical Associates	St. Peter's Health Partners Corporate	St. Peter's Health Partners Eliminations
Unrestricted revenue, gains and other support							
Net patient service revenue, net of provision for bad debts of \$41,120	\$993,750	\$519,137	\$348,017	\$130,146	\$ -	\$ -	(\$3,550)
Other operating revenue, gains and other support	75,877	24,548	48,895	2,491	-	-	(57)
Total unrestricted revenues, gains and other support	1,069,627	543,685	396,912	132,637	-	-	(3,607)
Expenses							
Salaries, wages and benefits	568,005	254,632	231,337	81,327	709	-	-
Medical supplies	158,326	102,591	42,504	13,471	-	(240)	-
Purchased services, professional fees and other expenses	218,986	113,870	74,392	32,940	307	1,085	(3,608)
Depreciation and amortization	61,851	30,929	23,170	2,802	-	4,950	-
Interest	16,474	13,133	2,683	658	-	-	-
Insurance	14,731	4,743	8,212	1,776	-	-	-
Total operating expenses	1,038,373	519,898	382,298	132,974	1,016	5,795	(3,608)
Operating income (loss)	31,254	23,787	14,614	(337)	(1,016)	(5,795)	1
Non-operating gains (losses)							
Investment returns, net	23,225	6,716	10,078	6,431	-	-	-
(Loss) gain on sale of assets	(627)	42	(547)	(12)	-	(110)	-
Change in fair value of interest rate swaps	(415)	300	(715)	-	-	-	-
Total non-operating gains (losses)	22,183	7,058	8,816	6,419	-	(110)	-
Excess (deficit) of revenues over expenses	\$53,437	\$30,845	\$23,430	\$6,082	(\$1,016)	(\$5,905)	\$1

**St. Peter's Health Partners**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	St. Peter's Health Partners	St. Peter's Health Care Services, Inc.	Northeast Health	Seton Health	St. Peter's Health Partners Corporate	St. Peter's Health Partners Corporate
<b>Unrestricted net assets</b>						
Excess (deficit) of revenues over expenses	\$53,437	\$30,845	\$23,430	\$6,082	(\$1,016)	(\$5,905)
Increase (decrease) in pension liability adjustment	1,312	171	(5,287)	6,428	-	-
Net assets released from restrictions for capital expenditures	1,793	1,353	395	45	-	-
Other changes	285	(18,015)	1,183	(66)	13,390	3,792
Increase (decrease) in unrestricted net assets	56,827	14,354	19,721	12,489	12,374	(2,113)
<b>Temporarily restricted net assets</b>						
Contributions	4,081	2,391	1,620	70	-	-
Investment income	713	174	539	-	-	-
Change in unrealized gains on investments	4,080	-	4,080	-	-	-
Net assets released from restrictions	(3,843)	(2,536)	(1,027)	(280)	-	-
Other changes	(2,337)	(19)	(2,286)	(32)	-	-
Increase (decrease) in temporarily restricted net assets	2,694	10	2,926	(242)	-	-
<b>Permanently restricted net assets</b>						
Contributions	12	-	12	-	-	-
Net realized and unrealized gains on investments	506	501	4	-	-	-
Other changes	1,091	-	1,092	-	-	-
Increase in permanently restricted net assets	1,609	501	1,108	-	-	-
Increase (decrease) in net assets	61,130	14,865	23,755	12,247	12,374	(2,113)
Beginning of year	662,542	281,072	238,139	52,312	-	91,021
End of year	\$723,672	\$295,937	\$261,894	\$64,559	\$12,374	\$88,908

**St. James Mercy Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents	\$602	\$ -	\$ -	\$39	\$397	\$166
Investments	1,042	-	-	738	304	-
Patient accounts receivable, net of estimated uncollectibles of \$2,403	5,213	-	-	5,213	-	-
Other accounts receivable	566	-	-	566	-	-
Prepaid expenses and inventories	1,903	-	-	1,821	80	2
Total current assets	9,326	-	-	8,377	781	168

Marketable securities and investments whose use is limited

Board-designated funds	6,308	-	-	5,800	-	508
Donor-restricted funds	488	-	-	-	-	488
Investments	1,151	(10,371)	10,153	218	-	1,151
Total marketable securities and investments whose use is limited	7,947	(10,371)	10,153	6,018	-	2,147

Property and equipment, net

Assets held for sale	15,258	-	-	14,263	995	-
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Other assets	158	-	-	158	-	-
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Other assets	6,611	(455)	-	7,066	-	-
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Total assets	\$39,300	(\$10,826)	\$10,153	\$35,882	\$1,776	\$2,315
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**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital lease obligations	\$1,297	(\$31)	\$ -	\$1,274	\$54	\$ -
Accounts payable and accrued expenses	6,323	-	-	6,266	56	1
Estimated third party payor settlements, net	3,725	-	-	3,725	-	-
Other	630	-	-	630	-	-
Total current liabilities	11,975	(31)	-	11,895	110	1

Long-term debt, net

Other liabilities	7,444	-	-	7,007	437	-
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Insurance liabilities, net of current portion	871	(424)	-	871	362	62
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Total liabilities	8,631	-	-	8,631	-	-
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Net assets

Unrestricted	28,921	(455)	-	28,404	909	63
Temporarily restricted	9,883	(9,883)	9,883	7,252	867	1,764
Permanently restricted	226	(218)	-	226	-	218
Total net assets	270	(270)	270	-	-	270

Total liabilities and net assets	10,379	(10,371)	10,153	7,478	867	2,252
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Total liabilities and net assets	\$39,300	(\$10,826)	\$10,153	\$35,882	\$1,776	\$2,315
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**St. James Mercy Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

Net patient service revenue, net of provision for bad debts of \$1,801  
Other operating revenue, gains and other support  
Total unrestricted revenue, gains and other support

**Expenses**

Salaries, wages and benefits  
Medical supplies  
Purchased services, professional fees and other expenses  
Depreciation and amortization  
Interest  
Insurance

Total operating expenses

Operating (loss) income

**Non-operating gains (losses)**

Investment returns, net  
Loss on sale of assets  
Change in fair value of interest rate swaps  
Total non-operating gains (losses)

(Deficit) excess of revenues over expenses

<b>St. James Mercy Health System</b>	<b>Eliminations</b>	<b>St. James Mercy Hospital</b>	<b>SJM Properties</b>	<b>St. James Mercy Foundation</b>
\$48,430	\$ -	\$48,430	\$ -	\$ -
1,723	(510)	867	517	849
<u>50,153</u>	<u>(510)</u>	<u>49,297</u>	<u>517</u>	<u>849</u>
30,680	-	30,455	60	165
4,742	-	4,742	-	-
14,987	(530)	15,106	233	178
2,391	-	2,301	90	-
164	(18)	145	37	-
602	-	596	6	-
<u>53,566</u>	<u>(548)</u>	<u>53,345</u>	<u>426</u>	<u>343</u>
(3,413)	38	(4,048)	91	506
899	(18)	734	2	181
(63)	-	(44)	-	(19)
-	(18)	690	2	162
<u>836</u>	<u>(18)</u>	<u>690</u>	<u>2</u>	<u>162</u>
<u>(\$2,577)</u>	<u>\$20</u>	<u>(\$3,358)</u>	<u>\$93</u>	<u>\$668</u>



**St. James Mercy Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. James Mercy Health System</b>	<b>Eliminations</b>	<b>Corporate Office</b>	<b>St. James Mercy Hospital</b>	<b>SJM Properties</b>	<b>St. James Mercy Foundation</b>
<b>Unrestricted net assets</b>						
(Deficit) excess of revenue over expenses	(\$2,577)	\$20	\$ -	(\$3,358)	\$93	\$668
Net assets released from restrictions for capital expenditures	20	(20)	-	40	-	-
Other changes	227	3,237	(3,237)	227	-	-
(Decrease) increase in unrestricted net assets before discontinued operations	(2,330)	3,237	(3,237)	(3,091)	93	668
Loss from discontinued operations	(907)	-	-	(907)	-	-
(Decrease) increase in unrestricted net assets	(3,237)	3,237	(3,237)	(3,998)	93	668
<b>Temporarily restricted net assets</b>						
Contributions	43	(43)	-	43	-	43
Net assets released from restrictions	(45)	45	-	(45)	-	(45)
(Decrease) increase in temporarily restricted net assets	(2)	2	-	(2)	-	(2)
(Decrease) increase in net assets	(3,239)	3,239	(3,237)	(4,000)	93	666
Beginning of year	13,618	(13,610)	13,390	11,478	774	1,586
End of year	<u>\$10,379</u>	<u>(\$10,371)</u>	<u>\$10,153</u>	<u>\$7,478</u>	<u>\$867</u>	<u>\$2,252</u>

**Maxis Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

**Assets**

Current assets

Cash and cash equivalents	\$33	\$ -	\$ -	\$ -	\$18	\$15
Investments	581	-	311	-	270	-
Marketable securities whose use is limited	8	-	8	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$4	419	-	-	419	-	-
Other accounts receivable	8	(2)	10	-	-	-
Total current assets	1,049	(2)	329	419	288	15

Marketable securities and investments whose use is limited

Board-designated funds	3,733	-	3,733	-	-	-
Trustee-held funds	1,525	-	1,525	-	-	-
Total marketable securities and investments whose use is limited	5,258	-	5,258	-	-	-

Property and equipment, net

Investments in unconsolidated organizations	15	-	15	-	-	-
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Assets held for sale	3,200	-	3,200	-	-	-
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Other assets	2,315	(665)	2,980	-	-	-
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Total assets	\$12,020	(\$667)	\$11,782	\$419	\$471	\$15
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**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital leases	\$775	\$ -	\$775	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	32,493	(2)	32,495	-	-	-
Estimated third party payor settlements, net	1,106	-	1,106	-	-	-
Other	99	-	99	-	-	-
Total current liabilities	34,473	(2)	34,475	-	-	-

Long-term debt, net	8,508	-	8,508	-	-	-
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Other liabilities	88	-	88	-	-	-
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Pension liabilities	6,972	-	6,972	-	-	-
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Insurance liabilities, net of current portion	2,216	-	2,216	-	-	-
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Total liabilities	52,257	(2)	52,259	-	-	-
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Net assets

Unrestricted	(40,237)	-	(41,142)	419	471	15
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Temporarily restricted	-	(665)	665	-	-	-
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Total net assets	(40,237)	(665)	(40,477)	419	471	15
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Total liabilities and net assets	\$12,020	(\$667)	\$11,782	\$419	\$471	\$15
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**Maxis Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

Other operating revenue, gains and other support

Total unrestricted revenue, gains and other support

**Expenses**

Salaries, wages and benefits

Purchased services, professional fees and other expenses

Depreciation and amortization

Interest

Total operating expenses

Operating loss

**Non-operating gains**

Investment returns, net

Gain on sale of assets

Change in fair value of interest rate swaps

Total non-operating gains

Excess (deficit) of revenues over expenses

	<b>Maxis Health System</b>	<b>Marian Community Hospital</b>	<b>Maxis Foundation</b>
	\$3	\$ -	\$3
	3	-	3
	18	18	-
	23	-	23
	12	-	12
	2	-	2
	55	18	37
	(52)	(18)	(34)
	70	70	-
	28	-	28
	133	133	-
	231	203	28
	\$179	\$185	(\$6)

**Maxis Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted net assets**

Excess (deficit) of revenue over expenses

Decrease in pension liability adjustment

Other changes

(Decrease) increase in unrestricted net assets before discontinued operations

Loss from discontinued operations

(Decrease) increase in unrestricted net assets

(Decrease) increase in net assets

Beginning of year

End of year

<b>Maxis Health System</b>	<b>Maxis Hlth System - Eliminations</b>	<b>Marian Community Hospital</b>	<b>Tri- CountyHuman Services Center, Inc.</b>	<b>Maxis Medical Services</b>	<b>Maxis Medical Services</b>
\$179	\$ -	\$185	\$ -	(\$6)	\$ -
(2,451)	-	(2,451)	-	-	-
6	-	218	300	(502)	(10)
(2,266)	-	(2,048)	300	(508)	(10)
(3,868)	-	(3,927)	123	-	(64)
(6,134)	-	(5,975)	423	(508)	(74)
(6,134)	-	(5,975)	423	(508)	(74)
(34,103)	(665)	(34,502)	(4)	979	89
(\$40,237)	(\$665)	(\$40,477)	\$419	\$471	\$15

**Mercy Health System of SEPA**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	Mercy Health System of SEPA	Mercy Catholic Medical Center	Mercy Suburban Hospital	E Norriton Phys Serv - Hospital Based	Nazareth Hospital	Nazareth Health Care Foundation	St Agnes Continuing Care Corp and Subs	St Agnes LIFE
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$53,787	(\$42,458)	(\$9,636)	\$886	\$15,386	\$1,777	(\$37,516)	\$15,403
Investments	285	-	285	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$116,843	73,006	32,425	12,314	202	14,102	-	-	690
Other accounts receivable	5,886	707	167	-	321	-	(16)	51
Prepaid expenses and inventories	14,926	5,394	2,852	-	4,034	-	26	232
Total current assets	147,890	(3,932)	5,982	1,088	33,843	1,777	(37,506)	16,376
Marketable securities and investments whose use is limited								
Board-designated funds	10,000	-	-	-	-	-	-	-
Trustee-held funds	3,897	2,085	1,361	-	-	-	-	-
Donor-restricted funds	5,216	3,404	285	-	-	1,029	21	3
Investments	126,281	-	-	-	-	-	-	-
Total marketable securities and investments whose use is limited	145,394	5,489	1,646	-	-	1,029	21	3
Property and equipment, net	175,216	75,457	50,887	-	33,868	-	-	419
Investments in unconsolidated organizations	163,387	37	802	-	2,220	-	858	-
Goodwill	71	-	-	-	-	-	-	-
Other assets	98,914	39,492	12,462	-	20,291	-	488	1,620
Total assets	\$730,872	\$116,543	\$71,779	\$1,088	\$90,222	\$2,806	(\$36,139)	\$18,418
<b>Liabilities and Net Assets</b>								
Current liabilities								
Current portion of long-term debt and capital lease obligation	\$9,827	\$5,069	\$1,319	\$ -	\$1,187	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	74,673	24,405	8,725	515	12,550	25	300	6,305
Estimated third party payor settlements, net	16,355	8,656	5,428	-	1,675	-	13	580
Other	38,143	(18,083)	(2,733)	11,130	(730)	448	575	960
Total current liabilities	138,998	20,047	12,739	11,645	14,682	473	888	7,845
Long-term debt, net	149,139	62,240	29,323	-	22,553	-	-	-
Other liabilities	12,285	334	192	-	1,679	-	(1)	2,518
Pension liabilities	127,953	54,228	19,859	-	21,421	-	8,444	-
Insurance liabilities, net of current portion	96,879	53,300	10,526	552	22,194	-	535	162
Total liabilities	525,254	190,149	72,639	12,197	82,529	473	9,866	10,525
Net assets								
Unrestricted	198,782	(77,010)	(1,145)	(11,109)	7,693	1,304	(46,026)	6,270
Temporarily restricted	2,739	927	285	-	-	1,029	21	3
Permanently restricted	4,097	2,477	-	-	-	-	-	1,620
Total net assets	205,618	(73,606)	(860)	(11,109)	7,693	2,333	(46,005)	7,893
Total liabilities and net assets	\$730,872	\$116,543	\$71,779	\$1,088	\$90,222	\$2,806	(\$36,139)	\$18,418

**Mercy Health System of SEPA**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	Mercy Health Plan	Mercy Home Health Services Consolidated	Mercy Management	Mercy Eastwick, Inc	Nazareth Physician Services	N E Physician Services, Inc	Mercy Health System Foundation	Mercy Home Office	Eliminations
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$ -	\$20,192	(\$18,500)	(\$15,950)	(\$6,491)	(\$152)	\$8,007	\$122,839	\$ -
Investments	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$116,843	-	10,110	3,228	-	381	-	-	-	(446)
Other accounts receivable	3,445	14	172	73	(58)	-	1	1,009	-
Prepaid expenses and inventories	-	385	268	212	18	-	-	1,505	-
Total current assets	3,445	30,701	(14,832)	(15,665)	(6,150)	(152)	8,008	125,353	(446)
Marketable securities and investments whose use is limited									
Board-designated funds	-	-	-	-	-	-	-	10,000	-
Trustee-held funds	-	-	-	-	-	-	-	451	-
Donor-restricted funds	-	-	-	-	-	-	474	-	-
Investments	-	-	-	-	-	-	-	126,281	-
Total marketable securities and investments whose use is limited	-	-	-	-	-	-	474	136,732	-
Property and equipment, net	-	789	1,333	4,068	32	-	-	8,363	-
Investments in unconsolidated organizations	152,577	-	3,721	760	-	-	-	2,412	-
Goodwill	-	-	13	-	58	-	-	-	-
Other assets	22,093	9	23	-	15	-	-	2,421	-
Total assets	\$178,115	\$31,499	(\$9,742)	(\$10,837)	(\$6,045)	(\$152)	\$8,482	\$275,281	(\$446)
<b>Liabilities and Net Assets</b>									
Current liabilities									
Current portion of long-term debt and capital lease obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,252	\$ -
Accounts payable and accrued expenses	99	3,647	6,523	302	603	2	-	10,672	-
Estimated third party payor settlements, net	-	-	3	-	-	-	-	-	-
Other	735	2,660	58,334	15,070	1,685	1,135	-	(27,471)	(5,572)
Total current liabilities	834	6,307	64,860	15,372	2,288	1,137	-	(14,547)	(5,572)
Long-term debt, net	-	-	-	-	-	-	-	35,023	-
Other liabilities	-	573	212	5,103	18	-	-	1,657	-
Pension liabilities	-	5,151	9,698	-	-	-	-	9,152	-
Insurance liabilities, net of current portion	-	-	7,226	-	-	-	-	2,384	-
Total liabilities	834	12,031	81,996	20,475	2,306	1,137	-	33,669	(5,572)
Net assets									
Unrestricted	177,281	19,468	(91,738)	(31,312)	(8,351)	(1,289)	8,008	241,612	5,126
Temporarily restricted	-	-	-	-	-	-	474	-	-
Permanently restricted	-	-	-	-	-	-	-	-	-
Total net assets	177,281	19,468	(91,738)	(31,312)	(8,351)	(1,289)	8,482	241,612	5,126
Total liabilities and net assets	\$178,115	\$31,499	(\$9,742)	(\$10,837)	(\$6,045)	(\$152)	\$8,482	\$275,281	(\$446)

**Mercy Health System of SEPA**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Health System of SEPA	Mercy Catholic Medical Center	Mercy Suburban Hospital	E Norriton Phys Serv - Hospital Based	Nazareth Hospital	Nazareth Health Care Foundation	St Agnes Continuing Care Corp and Subs	St Agnes LIFE
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$83,166	\$680,798	\$302,908	\$99,887	\$1,714	\$142,158	\$ -	\$ -	\$34,818
Other operating revenue, gains and other support	69,251	16,425	2,888	2,442	6,164	171	2	71
Total unrestricted revenue, gains and other support	750,049	319,333	102,775	4,156	148,322	171	2	34,889
<b>Expenses</b>								
Salaries, wages and benefits	411,371	152,627	50,326	-	75,319	50	-	12,118
Medical supplies	70,687	35,112	13,229	-	17,666	-	-	2,613
Purchased services, professional fees and other expenses	208,752	109,642	39,685	4,056	44,560	43	-	19,447
Depreciation and amortization	26,332	11,492	5,510	-	5,302	-	-	135
Interest	4,913	2,135	910	-	710	-	-	-
Insurance	18,840	7,178	2,018	77	4,098	-	-	280
Total operating expenses	740,895	318,186	111,678	4,133	147,655	93	-	34,593
Operating income (loss)	9,154	1,147	(8,903)	23	667	78	2	296
<b>Non-operating gains (losses)</b>								
Investment returns, net	6,451	(296)	(7)	(24)	68	-	(176)	77
Equity in gains (losses) in earnings of unconsolidated organizations	581	4	9	-	230	-	89	-
Gain on sale of assets	3,525	1	149	-	-	-	-	-
Loss on extinguishment of debt	(783)	(474)	-	-	(19)	-	-	-
Change in fair value of interest rate swaps	2,119	-	-	-	-	-	-	-
Total non-operating gains (losses)	11,893	(765)	151	(24)	279	-	(87)	77
Excess (deficit) of revenues over expenses	\$21,047	\$382	(\$8,752)	(\$1)	\$946	\$78	(\$85)	\$373

**Mercy Health System of SEPA**  
**Consolidating Statement of Operations**  
**December 31, 2012**

(in thousands of dollars)

	Mercy Health Plan	Mercy Home Health Services Consolidated	Mercy Management	Mercy Eastwick, Inc	Nazareth Physician Services	N E Physician Services, Inc	Mercy Health System Foundation	Mercy Home Office	Eliminations
<b>Unrestricted revenue, gains and other support</b>									
Net patient service revenue, net of provision for bad debts of \$83,166	\$ -	\$56,200	\$39,777	\$ -	\$3,334	\$2	\$ -	\$ -	\$ -
Other operating revenue, gains and other support	29,714	38	18,583	1,537	1,042	-	2,921	126,173	(138,920)
Total unrestricted revenue, gains and other support	29,714	56,238	58,360	1,537	4,376	2	2,921	126,173	(138,920)
<b>Expenses</b>									
Salaries, wages and benefits	-	40,920	50,533	-	4,859	-	-	73,379	(48,760)
Medical supplies	-	867	1,113	-	87	-	-	-	-
Purchased services, professional fees and other expenses	(931)	6,002	17,493	1,929	2,236	2	-	54,747	(90,159)
Depreciation and amortization	-	161	196	281	9	-	-	3,246	-
Interest	-	-	-	-	-	-	-	1,158	-
Insurance	-	374	4,753	9	507	-	-	(454)	-
Total operating expenses	(931)	48,324	74,088	2,219	7,698	2	-	132,076	(138,919)
Operating income (loss)	30,645	7,914	(15,728)	(682)	(3,322)	-	2,921	(5,903)	(1)
<b>Non-operating gains (losses)</b>									
Investment returns, net	-	107	(199)	(81)	(48)	(2)	-	7,032	-
Equity in gains (losses) in earnings of unconsolidated organizations	-	-	39	-	-	-	-	249	(39)
Gain on sale of assets	3,375	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	(290)	-
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	2,119	-
Total non-operating gains (losses)	3,375	107	(160)	(81)	(48)	(2)	-	9,110	(39)
Excess (deficit) of revenues over expenses	\$34,020	\$8,021	(\$15,888)	(\$763)	(\$3,370)	(\$2)	\$2,921	\$3,207	(\$40)



**Mercy Health System of SEPA**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>Mercy Health System of SEPA</b>	<b>Mercy Catholic Medical Center</b>	<b>Mercy Suburban Hospital</b>	<b>E Norriton Phys Serv - Hospital Based</b>	<b>Nazareth Hospital</b>	<b>Nazareth Health Care Foundation</b>	<b>St Agnes Continuing Care Corp and Subs</b>	<b>St Agnes LIFE</b>
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$21,047	\$382	(\$8,752)	(\$1)	\$946	\$78	(\$85)	\$373
Change in unrealized gains on available-for-sale securities	3,553	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment	(4,409)	(986)	140	-	(1,479)	-	(490)	-
Net assets released from restrictions for capital expenditures	499	424	55	-	17	-	-	-
Other changes	(2,387)	(1,101)	(553)	-	(3,053)	-	1	1
Increase (decrease) in unrestricted net assets before discontinued operations	18,303	(1,281)	(9,110)	(\$1)	(3,569)	78	(574)	374
Loss from discontinued operations	500	-	-	-	-	-	500	-
Increase (decrease) in unrestricted net assets	18,803	(1,281)	(9,110)	(1)	(3,569)	78	(74)	374
<b>Temporarily restricted net assets</b>								
Contributions	431	177	159	-	-	60	-	2
Investment income	3	-	-	-	-	-	-	-
Net assets released from restrictions	(1,046)	(668)	(67)	-	(211)	-	-	-
Other changes	22	23	(4)	-	210	(210)	-	-
(Decrease) increase in temporarily restricted net assets	(590)	(468)	88	-	(1)	(150)	-	2
<b>Permanently restricted net assets</b>								
Other changes	130	-	-	-	-	-	-	130
Increase in permanently restricted net assets	130	-	-	-	-	-	-	130
Increase (decrease) in net assets	18,343	(1,749)	(9,022)	(1)	(3,570)	(72)	(74)	506
Beginning of year	187,275	(71,857)	8,162	(11,108)	11,263	2,405	(45,931)	7,387
End of year	<u>\$205,618</u>	<u>(\$73,606)</u>	<u>(\$860)</u>	<u>(\$11,109)</u>	<u>\$7,693</u>	<u>\$2,333</u>	<u>(\$46,005)</u>	<u>\$7,893</u>

**Mercy Health System of SEPA**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Health Plan	Mercy Home Health Services Consolidated	Mercy Management	Mercy Eastwick, Inc	Nazareth Physician Services	N E Physician Services, Inc	Mercy Health System Foundation	Mercy Home Office	Eliminations
<b>Unrestricted net assets</b>									
Excess (deficit) of revenue over expenses	\$34,020	\$8,021	(\$15,888)	(\$763)	(\$3,370)	(\$2)	\$2,921	\$3,207	(\$40)
Change in unrealized gains on available-for-sale securities	3,553	-	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment	-	(405)	(771)	-	-	-	-	(418)	-
Net assets released from restrictions for capital expenditures	-	-	3	-	-	-	-	-	-
Other changes	(9,428)	4	4	-	-	-	3,587	8,151	-
Increase (decrease) in unrestricted net assets before discontinued operations	28,145	7,620	(16,652)	(763)	(\$3,370)	(\$2)	\$6,508	10,940	(40)
Loss from discontinued operations	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	28,145	7,620	(16,652)	(763)	(3,370)	(2)	6,508	10,940	(40)
<b>Temporarily restricted net assets</b>									
Contributions	-	33	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	3	-	-
Net assets released from restrictions	-	(33)	(3)	-	-	-	(64)	-	-
Other changes	-	-	3	-	-	-	0	-	-
(Decrease) increase in temporarily restricted net assets	-	-	-	-	-	-	(61)	-	-
<b>Permanently restricted net assets</b>									
Other changes	-	-	-	-	-	-	-	-	-
Increase in permanently restricted net assets	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	28,145	7,620	(16,652)	(763)	(3,370)	(2)	6,447	10,940	(40)
Beginning of year	149,136	11,848	(75,086)	(30,549)	(4,981)	(1,287)	2,035	230,672	5,166
End of year	\$177,281	\$19,468	(\$91,738)	(\$31,312)	(\$8,351)	(\$1,289)	\$8,482	\$241,612	\$5,126

St Mary, Langhorne, PA Location  
Consolidating Balance Sheet  
December 31, 2012

(in thousands of dollars)

**Assets**

Current assets

Cash and cash equivalents	\$152,485	\$129,931	\$601	\$159	\$10,376	\$215	\$11,249	(\$46)
Patient accounts receivable, net of estimated uncollectibles of \$48,648	48,731	45,137	-	-	178	1,594	1,822	-
Other accounts receivable	6,770	77,528	(6,799)	(219)	108	-	(50,423)	(13,425)
Prepaid expenses and inventories	12,504	11,685	16	-	58	532	213	-
Total current assets	220,490	264,281	(6,182)	(60)	10,720	2,341	(37,139)	(13,471)

Marketable securities and investments whose use is limited

Trustee-held funds	10,380	10,380	-	-	-	-	-	-
Donor-restricted funds	13,063	-	13,063	-	-	-	-	-
Investments	75,364	74,182	1,182	-	-	-	-	-
Total marketable securities and investments whose use is limited	98,807	84,562	14,245	-	-	-	-	-

Property and equipment, net

Investments in unconsolidated organizations

Other assets	24,507	24,786	981	-	-	15	-	(1,275)
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Total assets

\$557,641	\$579,581	\$9,059	\$83	\$11,943	\$6,576	(\$34,855)	(\$14,746)
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**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital lease obligations	\$4,755	\$3,181	\$ -	\$ -	\$ -	\$1,574	\$ -	\$ -
Portion of variable rate demand obligations classified as current	3,395	3,395	-	-	-	-	-	-
Accounts payable and accrued expenses	37,032	29,660	4,404	-	1,214	334	1,420	-
Estimated third party payor settlements, net	2,188	2,188	-	-	-	-	-	-
Other	28,642	18,006	1,539	142	14,380	44	8,002	(13,471)
Total current liabilities	76,012	56,430	5,943	142	15,594	1,952	9,422	(13,471)

Long-term debt, net

Other liabilities	131,640	126,939	-	-	1,275	4,701	-	(1,275)
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Pension liabilities

Insurance liabilities, net of current portion	6,963	6,696	-	-	-	10	-	257
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Total liabilities

252,160	227,610	5,943	142	16,869	6,663	9,422	(14,489)
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Net assets

Unrestricted	296,736	351,971	(5,629)	(59)	(4,926)	(87)	(44,277)	(257)
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Temporarily restricted	8,745	-	8,745	-	-	-	-	-
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Total net assets

305,481	351,971	3,116	(59)	(4,926)	(87)	(44,277)	(257)
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Total liabilities and net assets

\$557,641	\$579,581	\$9,059	\$83	\$11,943	\$6,576	(\$34,855)	(\$14,746)
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St Mary, Langhorne, PA Location  
Consolidating Statement of Operations  
December 31, 2012

(in thousands of dollars)

	St Mary, Langhorne, PA Location	St Mary Medical Center	St Mary Foundation	Langhorne Services Inc	LIFE St Mary	Ambulatory Surgery Center at St Mary	Langhorne Physician Services	St Mary Eliminations
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$19,149	\$436,638	\$403,690	\$ -	\$ -	\$11,399	\$7,290	\$14,259	\$ -
Other operating revenue, gains and other support	13,133	11,922	1,042	34	16	18	6,282	(6,181)
Total unrestricted revenue, gains and other support	449,771	415,612	1,042	34	11,415	7,308	20,541	(6,181)
<b>Expenses</b>								
Salaries, wages and benefits	208,830	180,140	1,260	-	4,557	2,006	20,867	-
Medical supplies	68,738	65,641	-	-	1,122	1,510	465	-
Purchased services, professional fees and other expenses	106,070	98,383	1,456	53	6,087	1,130	5,142	(6,181)
Depreciation and amortization	18,517	17,095	6	-	222	721	473	-
Interest	5,089	4,724	-	-	-	365	-	-
Insurance	7,000	5,128	-	17	132	22	1,701	-
Total operating expenses	414,244	371,111	2,722	70	12,120	5,754	28,648	(6,181)
Operating income (loss)	35,527	44,501	(1,680)	(36)	(705)	1,554	(8,107)	-
<b>Non-operating gains (losses)</b>								
Investment returns, net	6,529	6,438	18	-	39	-	34	-
Equity in gains (losses) in earnings of unconsolidated organizations	474	1,019	-	43	-	(588)	-	-
Loss on sale of assets	(43)	(43)	-	-	-	-	-	-
Loss on extinguishment of debt	(133)	(133)	-	-	-	-	-	-
Change in fair value of interest rate swaps	1,109	1,109	-	-	-	-	-	-
Total non-operating gains (losses)	7,936	8,390	18	43	39	(588)	34	-
Excess (deficit) of revenues over expenses	\$43,463	\$52,891	(\$1,662)	\$7	(\$666)	\$966	(\$8,073)	\$ -

**St Mary, Langhorne, PA Location**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	St Mary, Langhorne, PA Location	St Mary Medical Center	St Mary Foundation	Langhorne Services Inc	LIFE St Mary	Ambulatory Surgery Center at St Mary	Langhorne Physician Services	St Mary Eliminations
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$43,463	\$52,891	(\$1,662)	\$7	(\$666)	\$966	(\$8,073)	\$ -
Increase in pension liability adjustment	2,138	2,138	-	-	-	-	-	-
Net assets released from restrictions for capital expenditures	153	153	-	-	-	-	-	-
Other changes	(774)	(1,535)	-	-	-	-	-	761
Increase (decrease) in unrestricted net assets	44,980	53,647	(1,662)	7	(666)	966	(8,073)	761
<b>Temporarily restricted net assets</b>								
Contributions	2,792	-	2,792	-	-	-	-	-
Net assets released from restrictions	(1,299)	-	(1,299)	-	-	-	-	-
Other changes	6	-	6	-	-	-	-	-
Increase in temporarily restricted net assets	1,499	-	1,499	-	-	-	-	-
Increase (decrease) in net assets	46,479	53,647	(163)	7	(666)	966	(8,073)	761
Beginning of year	259,002	298,324	3,279	(66)	(4,260)	(1,053)	(36,204)	(1,018)
End of year	\$305,481	\$351,971	\$3,116	(\$59)	(\$4,926)	(\$87)	(\$44,277)	(\$257)

**Our Lady of Lourdes Health Care Services**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	Our Lady of Lourdes Health Care Services	Eliminations	Lourdes Dialysis at Innova Inc	Health Care Services	Our LOL Medical Center	Lourdes Med Center of Burlington County	Our LOL Assoc Foundation, Inc	LIFE at Lourdes	Lourdes Ancillary Services Combined
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$7,699	\$ -	\$16	\$ -	\$4,085	\$856	\$11	\$2,463	\$268
Patient accounts receivable, net of estimated uncollectibles of \$31,654	54,161	-	(14)	-	34,160	14,002	-	145	5,868
Other accounts receivable	22,445	(225,363)	4,909	47,032	131,527	6,278	1,110	25	56,927
Prepaid expenses and inventories	12,334	-	39	416	8,350	2,383	4	107	1,035
Total current assets	96,639	(225,363)	4,950	47,448	178,122	23,519	1,125	2,740	64,098
Marketable securities and investments whose use is limited									
Board-designated funds	1,957	-	-	-	-	-	1,957	-	-
Donor-restricted funds	2,999	-	-	-	2,999	-	-	-	-
Investments	1,665	-	267	-	1,398	-	-	-	-
Total marketable securities and investments whose use is limited	6,621	-	267	-	4,397	-	1,957	-	-
Property and equipment, net	150,946	-	-	4,590	95,613	42,009	5	2,006	6,723
Investments in unconsolidated organizations	11,569	-	-	-	(266)	71	-	-	11,764
Goodwill	29,554	-	-	-	10,438	-	-	-	19,116
Other assets	16,438	-	-	-	11,320	4,766	-	-	352
Total assets	\$311,767	(\$225,363)	\$5,217	\$52,038	\$299,624	\$70,365	\$3,087	\$4,746	\$102,053
<b>Liabilities and Net Assets</b>									
Current liabilities									
Current portion of long-term debt and capital lease obligations	\$5,362	\$ -	\$ -	\$ -	\$3,450	\$1,180	\$ -	\$153	\$579
Accounts payable and accrued expenses	57,098	-	13	1,874	16,952	8,753	359	2,427	26,720
Estimated third party payor settlements, net	15,199	-	-	-	9,816	5,383	-	-	-
Other	12,704	(217,793)	10	50,164	11,462	48,848	645	449	118,919
Total current liabilities	90,363	(217,793)	23	52,038	41,680	64,164	1,004	3,029	146,218
Long-term debt, net	123,432	(6,700)	1,696	-	73,150	55,024	-	201	61
Other liabilities	20,871	-	-	-	10,571	741	-	-	9,559
Pension liabilities	21,917	-	15	-	15,321	6,173	46	87	275
Insurance liabilities, net of current portion	19,351	-	-	-	12,981	6,370	-	-	-
Total liabilities	275,934	(224,493)	1,734	52,038	153,703	132,472	1,050	3,317	156,113
Net assets									
Unrestricted	31,978	-	3,482	-	142,449	(62,527)	1,214	1,428	(54,068)
Temporarily restricted	3,590	(870)	1	-	3,217	420	813	1	8
Permanently restricted	265	-	-	-	255	-	10	-	-
Total net assets	35,833	(870)	3,483	-	145,921	(62,107)	2,037	1,429	(54,060)
Total liabilities and net assets	\$311,767	(\$225,363)	\$5,217	\$52,038	\$299,624	\$70,365	\$3,087	\$4,746	\$102,053

Our Lady of Lourdes Health Care Services  
Consolidating Statement of Operations  
December 31, 2012

	Our Lady of Lourdes Health Care Services	Eliminations	Lourdes Dialysis at Innova Inc	Our LOL Medical Center	Lourdes Med Center of Burlington County	Our LOL Assoc Foundation, Inc	LIFE at Lourdes	Lourdes Ancillary Services Combined
<i>(in thousands of dollars)</i>								
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$23,751	\$455,841	\$ -	\$ -	\$273,049	\$112,301	\$ -	\$19,542	\$50,949
Other operating revenue, gains and other support	25,430	(21,996)	-	10,605	4,351	3,754	389	28,327
Total unrestricted revenue, gains and other support	481,271	(21,996)	-	283,654	116,652	3,754	19,931	79,276
<b>Expenses</b>								
Salaries, wages and benefits	254,154	-	-	122,532	52,399	2,677	5,138	71,408
Medical supplies	64,362	-	-	48,541	13,188	253	96	2,284
Purchased services, professional fees and other expenses	130,407	(20,279)	-	72,905	34,822	887	12,836	29,236
Depreciation and amortization	17,846	-	-	12,335	4,226	1	267	1,017
Interest	3,825	(2,019)	-	2,420	1,785	-	12	1,627
Insurance	7,007	-	-	2,894	1,380	1	131	2,601
Total operating expenses	477,601	(22,298)	-	261,627	107,800	3,819	18,480	108,173
Operating income (loss)	3,670	302	-	22,027	8,852	(65)	1,451	(28,897)
<b>Non-operating gains (losses)</b>								
Investment returns, net	1,122	(302)	18	1,102	102	197	13	(8)
Equity in losses in earning of unconsolidated organizations	454	-	-	9	8	-	-	437
Gain on sale of assets	21,021	-	4,775	16,232	7	-	-	7
Change in fair value of interest rate swaps	1,659	-	-	1,028	631	-	-	-
Total non-operating gains (losses)	24,256	(302)	4,793	18,371	748	197	13	436
Excess (deficit) of revenues over expenses	\$27,926	\$ -	\$4,793	\$40,398	\$9,600	\$132	\$1,464	(\$28,461)

Our Lady of Lourdes Health Care Services  
Consolidating Statement of Changes in Net Assets  
December 31, 2012

(in thousands of dollars)

	Our Lady of Lourdes Health Care Services	Eliminations	Lourdes Dialysis at Innova Inc	Our LOL Medical Center	Lourdes Med Center of Burlington County	Our LOL Assoc Foundation, Inc	LIFE at Lourdes	Lourdes Ancillary Services Combined
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$27,926	\$ -	\$4,793	\$40,398	\$9,600	\$132	\$1,464	(\$28,461)
Decrease in pension liability adjustment	(1,721)	-	-	(1,291)	(430)	-	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	24,825	-	4,793	27,427	9,170	132	1,464	(18,161)
Loss from discontinued operations	2,643	-	(67)	2,710	-	-	-	-
Increase (decrease) in unrestricted net assets	27,468	-	4,726	30,137	9,170	132	1,464	(18,161)
<b>Temporarily restricted net assets</b>								
Contributions	801	-	-	76	137	588	-	-
Investment income	466	-	-	466	-	-	-	-
Change in unrealized gains on investments	252	-	1	230	12	-	1	8
Net assets released from restrictions	(1,523)	(153)	-	(890)	(42)	(438)	-	-
(Decrease) increase in temporarily restricted net assets	(4)	(153)	1	(118)	107	150	1	8
Increase (decrease) in net assets	27,464	(153)	4,727	30,019	9,277	282	1,465	(18,153)
Beginning of year	8,369	(717)	(1,244)	115,902	(71,384)	1,755	(36)	(35,907)
End of year	<u>\$35,833</u>	<u>(\$870)</u>	<u>\$3,483</u>	<u>\$145,921</u>	<u>(\$62,107)</u>	<u>\$2,037</u>	<u>\$1,429</u>	<u>(\$54,060)</u>



**Pittsburgh Mercy Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents	\$24,383	\$1,491	\$3,106	\$19,786	\$ -	\$ -
Patient accounts receivable	4,746	-	-	4,746	-	-
Other accounts receivable	16,100	430	4,387	11,283	-	-
Prepaid expenses and inventories	1,409	-	-	1,409	-	-
Total current assets	46,638	1,921	7,493	37,224	-	-

Marketable securities and investments whose use is limited

Board-designated funds	87,095	21,173	65,922	-	-	-
Trustee-held funds	230	-	-	-	230	-
Donor-restricted funds	3,467	3,467	-	-	-	-
Total marketable securities and investments whose use is limited	90,792	24,640	65,922	-	230	-

Property and equipment, net

Other assets	10,383	-	-	10,383	-	-
	4,658	262	3,952	444	-	-

Total assets	\$152,471	\$26,823	\$77,367	\$48,051	\$230	\$ -
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**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital lease obligations	\$1,199	\$ -	\$ -	\$1,199	\$ -	\$ -
Accounts payable and accrued expenses	13,503	368	672	8,745	3,718	-
Other	2,473	263	-	2,178	32	-
Total current liabilities	17,175	631	672	12,122	3,750	-

Long-term debt, net

Other liabilities	3,522	-	-	3,522	-	-
	(2)	-	-	(2)	-	-

Pension liabilities	20,699	-	-	-	20,699	-
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Insurance liabilities, net of current portion	1,748	262	-	530	753	203
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Total liabilities	43,142	893	672	16,172	25,202	203
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Net assets

Unrestricted	101,416	21,755	76,695	30,108	(26,939)	(203)
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Temporarily restricted	7,913	4,175	-	1,771	1,967	-
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Total net assets	109,329	25,930	76,695	31,879	(24,972)	(203)
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Total liabilities and net assets	\$152,471	\$26,823	\$77,367	\$48,051	\$230	\$ -
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**Pittsburgh Mercy Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

Net patient service revenue	\$34,942	\$ -	\$ -	\$34,942	\$ -
Other operating revenue, gains and other support	59,054	184	3,381	55,489	-
Total unrestricted revenue, gains and other support	93,996	184	3,381	90,431	-

**Expenses**

Salaries, wages and benefits	64,491	3,434	253	60,548	256
Purchased services, professional fees and other expenses	24,702	(2,987)	2,402	25,287	-
Depreciation and amortization	562	-	-	562	-
Insurance	661	-	-	661	-
Total operating expenses	90,416	447	2,655	87,058	256

Operating income (loss)	3,580	(263)	726	3,373	(256)
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**Non-operating gains**

Investment returns, net	4,054	1,657	2,397	-	-
Total non-operating gains	4,054	1,657	2,397	-	-
Excess (deficit) of revenues over expenses	\$7,634	\$1,394	\$3,123	\$3,373	(\$256)

**Pittsburgh Mercy Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Pittsburgh Mercy Health System</b>	<b>Pittsburgh Mercy Health System</b>	<b>McAuley Ministries</b>	<b>Mercy Life Center Corp (Behav)</b>	<b>Mercy Jeannette Hospital</b>	<b>Jeannette Medical Practices</b>
<b>Unrestricted net assets</b>						
Excess (deficit) of revenue over expenses	\$7,634	\$1,394	\$3,123	\$3,373	(\$256)	\$ -
(Decrease) increase in pension liability adjustment	(5,427)	-	-	10	(5,437)	-
Other changes	769	-	-	769	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	2,976	1,394	3,123	4,152	(5,693)	-
(Loss) income from discontinued operations	(1,609)	-	-	(1,983)	374	-
Increase (decrease) in unrestricted net assets	1,367	1,394	3,123	2,169	(5,319)	-
<b>Temporarily restricted net assets</b>						
Contributions	607	607	-	-	-	-
Investment income	25	25	-	-	-	-
Net assets released from restrictions	(978)	(978)	-	-	-	-
Decrease in temporarily restricted net assets	(346)	(346)	-	-	-	-
Increase (decrease) in net assets	1,021	1,048	3,123	2,169	(5,319)	-
Beginning of year	108,308	24,882	73,572	29,710	(19,653)	(203)
End of year	<b>\$109,329</b>	<b>\$25,930</b>	<b>\$76,695</b>	<b>\$31,879</b>	<b>(\$24,972)</b>	<b>(\$203)</b>

**Saint Francis Healthcare**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents	\$233	\$16	\$41	\$76	\$100
Patient accounts receivable, net of estimated uncollectibles of \$8,691	12,421	11,647	-	774	-
Other accounts receivable	2,181	2,101	53	27	-
Prepaid expenses and inventories	4,388	4,323	-	39	26
Total current assets	19,223	18,087	94	916	126

Marketable securities and investments whose use is limited

Trustee-held funds	1,819	1,819	-	-	-
Donor-restricted funds	362	26	336	-	-
Total marketable securities and investments whose use is limited	2,181	1,845	336	-	-

Property and equipment, net	54,555	51,938	-	385	2,232
Investments in unconsolidated organizations	563	563	0	0	0
Assets held for sale	2,015	0	-	2,015	-
Other assets	5,390	5,072	-	318	-
Total assets	\$83,927	\$77,505	\$430	\$3,634	\$2,358

**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital lease obligations	\$1,786	\$1,675	\$ -	\$111	\$ -
Accounts payable and accrued expenses	54,263	50,032	2	834	3,395
Estimated third party payor settlements, net	4,398	4,398	-	-	-
Other	6,237	5,574	217	446	-
Total current liabilities	66,684	61,679	219	1,391	3,395

Long-term debt, net	39,545	36,707	-	2,838	-
Other liabilities	350	350	-	-	-
Pension liabilities	12,375	12,237	-	132	6
Insurance liabilities, net of current portion	8,617	8,056	-	561	-
Total liabilities	127,571	119,029	219	4,922	3,401

Net assets

Unrestricted	(44,006)	(41,550)	(125)	(1,288)	(1,043)
Temporarily restricted	362	26	336	-	-
Total net assets	(43,644)	(41,524)	211	(1,288)	(1,043)
Total liabilities and net assets	\$83,927	\$77,505	\$430	\$3,634	\$2,358

**Saint Francis Healthcare**  
**Consolidating Statement of Operations**  
**December 31, 2012**

(in thousands of dollars)

	Saint Francis Healthcare	Saint Francis Hospital	Saint Francis Foundation	Franciscan ElderCare Corporation	Life at Saint Francis Healthcare
<i>(in thousands of dollars)</i>					
<b>Unrestricted revenue, gains and other support</b>					
Net patient service revenue, net of provision for bad debts of \$8,834	\$124,608	\$124,608	\$ -	\$ -	\$ -
Other operating revenue, gains and other support	7,018	6,845	173	-	-
Total unrestricted revenue, gains and other support	131,626	131,453	173	-	-
<b>Expenses</b>					
Salaries, wages and benefits	68,262	67,438	195	-	629
Medical supplies	16,014	16,011	-	-	3
Purchased services, professional fees and other expenses	37,860	37,364	194	-	302
Depreciation and amortization	5,834	5,749	-	-	85
Interest	1,178	1,177	1	-	-
Insurance	2,099	2,097	2	-	-
Total operating expenses	131,247	129,836	392	-	1,019
Operating income (loss)	379	1,617	(219)	-	(1,019)
<b>Non-operating gains (losses)</b>					
Investment returns, net	(99)	(110)	-	11	-
Equity in gains in earnings of unconsolidated organizations	58	58	-	-	-
Gain on sale of assets	77	77	-	-	-
Loss on extinguishment of debt	(13)	(13)	-	-	-
Change in fair value of interest rate swaps	613	613	-	-	-
Total non-operating gains (losses)	636	625	-	11	-
Excess (deficit) of revenues over expenses	\$1,015	\$2,242	(\$219)	\$11	(\$1,019)

**Saint Francis Healthcare**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Saint Francis Healthcare</b>	<b>Saint Francis Hospital</b>	<b>Saint Francis Foundation</b>	<b>Franciscan ElderCare Corporation</b>	<b>Life at Saint Francis Healthcare</b>
<b>Unrestricted net assets</b>					
Excess (deficit) of revenue over expenses	\$1,015	\$2,242	(\$219)	\$11	(\$1,019)
Decrease in pension liability adjustment	(375)	(375)	-	-	-
Net assets released from restrictions for capital expenditures	131	131	-	-	-
Other changes	(493)	(1,393)	-	900	-
Increase (decrease) in unrestricted net assets before discontinued operations	278	605	(219)	911	(1,019)
Loss from discontinued operations	(4,106)	(2,609)	-	(1,497)	-
Decrease in unrestricted net assets	(3,828)	(2,004)	(219)	(586)	(1,019)
<b>Temporarily restricted net assets</b>					
Contributions	964	1	963	-	-
Net assets released from restrictions	(836)	(5)	(831)	-	-
(Decrease) increase in temporarily restricted net assets	128	(4)	132	-	-
(Decrease) increase in net assets	(3,700)	(2,008)	(87)	(586)	(1,019)
Beginning of year	(39,944)	(39,516)	298	(702)	(24)
End of year	<b>(\$43,644)</b>	<b>(\$41,524)</b>	<b>\$211</b>	<b>(\$1,288)</b>	<b>(\$1,043)</b>

**St. Francis Medical Center**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	St. Francis Medical Center	St. Francis Medical Center	LIFE St. Francis	St. Francis Medical Center Foundation	Central New Jersey Heart Services, Inc	Life Care Physicians	St. Francis Eliminations
<b>Assets</b>							
Current assets							
Cash and cash equivalents	\$1,440	(\$4,959)	\$3,417	\$100	\$1,909	\$973	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$11,546	12,739	12,466	273	-	-	-	-
Other accounts receivable	226	16,197	(4,942)	(540)	78	(10,567)	-
Prepaid expenses and inventories	3,188	2,941	18	4	225	-	-
Total current assets	17,593	26,645	(1,234)	(436)	2,212	(9,594)	-
Marketable securities and investments whose use is limited							
Board-designated funds	2,147	250	-	1,897	-	-	-
Donor-restricted funds	1,269	-	-	1,269	-	-	-
Total marketable securities and investments whose use is limited	3,416	250	-	3,166	-	-	-
Property and equipment, net	45,421	40,685	2,555	-	1,049	1,132	-
Investments in unconsolidated organizations	1,556	2,586	-	-	-	-	(1,030)
Goodwill	1,530	1,530	-	-	-	-	-
Other assets	2,482	4,933	-	-	-	4	(2,455)
Total assets	\$71,998	\$76,629	\$1,321	\$2,730	\$3,261	(\$8,458)	(\$3,485)
<b>Liabilities and Net Assets</b>							
Current liabilities							
Current portion of long-term debt and capital lease obligations	\$998	\$640	\$ -	\$ -	\$358	\$ -	\$ -
Portion of variable rate demand obligations classified as current	200	200	-	-	-	-	-
Accounts payable and accrued expenses	24,020	21,968	1,548	3	370	131	-
Estimated third party payor settlements, net	13,687	13,687	-	-	-	-	-
Other	3,652	2,973	8	104	-	-	567
Total current liabilities	42,557	39,468	1,556	107	728	131	567
Long-term debt, net	16,843	16,057	-	-	761	25	-
Other liabilities	666	646	-	-	-	20	-
Pension liabilities	9,598	9,598	-	-	-	-	-
Insurance liabilities, net of current portion	3,175	3,081	94	-	-	-	-
Total liabilities	72,839	68,850	1,650	107	1,489	176	567
Net assets							
Unrestricted	(2,111)	6,743	(329)	1,353	1,772	(8,634)	(3,016)
Temporarily restricted	655	476	-	655	-	-	(476)
Permanently restricted	615	560	-	615	-	-	(560)
Total net assets	(841)	7,779	(329)	2,623	1,772	(8,634)	(4,052)
Total liabilities and net assets	\$71,998	\$76,629	\$1,321	\$2,730	\$3,261	(\$8,458)	(\$3,485)

**St. Francis Medical Center**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	St. Francis Medical Center	St. Francis Medical Center	LIFE St. Francis	St. Francis Medical Center Foundation	Central New Jersey Heart Services, Inc	Life Care Physicians	St. Francis Eliminations
<b>Unrestricted revenue, gains and other support</b>							
Net patient service revenue, net of provision for bad debts of \$4,075	\$144,661	\$123,468	\$19,878	\$ -	\$7,084	\$1,316	(\$7,085)
Other operating revenue, gains and other support	6,283	6,356	277	599	998	6	(1,953)
Total unrestricted revenue, gains and other support	150,944	129,824	20,155	599	8,082	1,322	(9,038)
<b>Expenses</b>							
Salaries, wages and benefits	65,591	56,431	5,688	201	449	2,822	-
Medical supplies	23,444	18,690	2,148	-	2,534	72	-
Purchased services, professional fees and other expenses	50,078	46,272	9,501	238	595	993	(7,521)
Depreciation and amortization	5,719	4,961	192	-	478	88	-
Interest	585	482	-	-	100	3	-
Insurance	2,599	2,357	127	-	23	92	-
Total operating expenses	148,016	129,193	17,656	439	4,179	4,070	(7,521)
Operating income (loss)	2,928	631	2,499	160	3,903	(2,748)	(1,517)
<b>Non-operating gains (losses)</b>							
Investment returns, net	6	(28)	34	-	-	-	-
Equity in gains in earnings from unconsolidated organizations	142	142	-	-	-	-	-
Impairment losses	(104)	-	-	-	-	(104)	-
Loss on extinguishment of debt	(12)	(12)	-	-	-	-	-
Change in fair value of interest rate swaps	227	227	-	-	-	-	-
Total non-operating gains (losses)	259	329	34	-	-	(104)	-
Excess (deficit) of revenues over expenses	\$3,187	\$960	\$2,533	\$160	\$3,903	(\$2,852)	(\$1,517)



**St. Francis Medical Center**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Francis Medical Center</b>	<b>St. Francis Medical Center</b>	<b>LIFE St. Francis</b>	<b>St. Francis Medical Center Foundation</b>	<b>Central New Jersey Heart Services, Inc</b>	<b>Life Care Physicians</b>	<b>St. Francis Eliminations</b>
<b>Unrestricted net assets</b>							
Excess (deficit) of revenues over expenses	\$3,187	\$960	\$2,533	\$160	\$3,903	(\$2,852)	(\$1,517)
Increase in pension liability adjustment	168	168	-	-	-	-	-
Net assets released from restrictions for capital expenditures	14	14	-	-	-	-	-
Other changes	(556)	2,935	-	(252)	(5,246)	-	2,007
Increase (decrease) in unrestricted net assets	2,813	4,077	2,533	(92)	(1,343)	(2,852)	490
<b>Temporarily restricted net assets</b>							
Contributions	65	-	-	65	-	-	-
Investment income	3	-	-	3	-	-	-
Change in unrealized gains on investments	3	-	-	3	-	-	-
Other changes	24	-	-	24	-	-	-
Increase in temporarily restricted net assets	95	-	-	95	-	-	-
<b>Permanently restricted net assets</b>							
Contributions	2	-	-	2	-	-	-
Net realized and unrealized gains on investments	3	-	-	3	-	-	-
Other changes	(118)	-	-	(118)	-	-	-
Decrease in permanently restricted net assets	(113)	-	-	(113)	-	-	-
Increase (decrease) in net assets	2,795	4,077	2,533	(110)	(1,343)	(2,852)	490
Beginning of year	(3,636)	3,702	(2,862)	2,733	3,115	(5,782)	(4,542)
End of year	(\$841)	\$7,779	(\$329)	\$2,623	\$1,772	(\$8,634)	(\$4,052)

**Saint Michael's Medical Center**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Saint Michael's Medical Center</b>	<b>Saint Michael's Medical Center- Hospital</b>	<b>Chestnut Risk Offshore Insurance Co</b>	<b>University Heights Management Company</b>	<b>Saint Michael's Foundation</b>	<b>Saint Michael's Elimination Company</b>	<b>Columbus Care Corp</b>	<b>St James Care Corp</b>
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$25,767	\$19,054	\$3	\$526	\$5,691	\$ -	\$91	\$402
Marketable securities whose use is limited	5,010	-	5,010	-	-	-	-	-
Assets held for sale	24,029	24,552	6,122	-	29	(6,758)	84	-
Total current assets	<u>54,806</u>	<u>43,606</u>	<u>11,135</u>	<u>526</u>	<u>5,720</u>	<u>(6,758)</u>	<u>175</u>	<u>402</u>
Marketable securities and investments whose use is limited								
Board-designated funds	14,845	14,845	-	-	-	-	-	-
Trustee-held funds	8,691	8,691	-	-	-	-	-	-
Investments	-	1,340	-	-	-	(1,340)	-	-
Total marketable securities and investments whose use is limited	<u>23,536</u>	<u>24,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>	<u>-</u>
Assets held for sale	78,149	73,091	-	5,058	-	-	-	-
Other assets	34,288	34,288	-	-	-	-	-	-
Total assets	<u><u>\$190,779</u></u>	<u><u>\$175,861</u></u>	<u><u>\$11,135</u></u>	<u><u>\$5,584</u></u>	<u><u>\$5,720</u></u>	<u><u>(\$8,098)</u></u>	<u><u>\$175</u></u>	<u><u>\$402</u></u>
<b>Liabilities and Net Assets</b>								
Current liabilities								
Current portion of long-term debt and capital lease obligations	\$1,213	\$1,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	118,080	118,080	-	-	-	-	-	-
Liabilities related to assets held for sale	30,312	36,315	85	93	-	(6,758)	175	402
Total current liabilities	<u>149,605</u>	<u>155,608</u>	<u>85</u>	<u>93</u>	<u>-</u>	<u>(6,758)</u>	<u>175</u>	<u>402</u>
Long-term debt, net	11,496	11,496	-	-	-	-	-	-
Insurance liabilities, net of current portion	7,363	2,999	4,364	-	-	-	-	-
Liabilities related to assets held for sale	236,668	236,668	-	-	-	-	-	-
Total liabilities	<u>405,132</u>	<u>406,771</u>	<u>4,449</u>	<u>93</u>	<u>-</u>	<u>(6,758)</u>	<u>175</u>	<u>402</u>
Net assets								
Unrestricted	(216,582)	(231,322)	5,886	5,491	3,903	(540)	-	-
Temporarily restricted	2,229	412	-	-	1,817	-	-	-
Permanently restricted	-	-	800	-	-	(800)	-	-
Total net assets	<u>(214,353)</u>	<u>(230,910)</u>	<u>6,686</u>	<u>5,491</u>	<u>5,720</u>	<u>(1,340)</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u><u>\$190,779</u></u>	<u><u>\$175,861</u></u>	<u><u>\$11,135</u></u>	<u><u>\$5,584</u></u>	<u><u>\$5,720</u></u>	<u><u>(\$8,098)</u></u>	<u><u>\$175</u></u>	<u><u>\$402</u></u>

**Saint Michael's Medical Center**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted net assets**

Other changes

(Decrease) increase in unrestricted net assets before discontinued operations

Loss from discontinued operations

(Decrease) increase in unrestricted net assets

**Temporarily restricted net assets**

Net assets released from restrictions

Other changes

Increase in temporarily restricted net assets

(Decrease) increase in net assets

Beginning of period

End of period

Saint Michael's Medical Center	Saint Michael's Medical Center- Hospital	Chestnut Risk - Offshore Insurance Co.	University Heights Management Company	Saint Michael's Foundation	Saint Michael's Elimination Company
(\$1,364)	(\$3,134)	\$ -	\$2,240	(\$470)	\$ -
(1,364)	(3,134)	-	2,240	(470)	-
(151,454)	(148,054)	746	(4,039)	(107)	-
(152,818)	(151,188)	746	(1,799)	(577)	-
303	-	-	-	303	-
769	769	-	-	-	-
1,072	769	-	-	303	-
(151,746)	(150,419)	746	(1,799)	(274)	-
(62,607)	(80,491)	5,940	7,290	5,994	(1,340)
(\$214,353)	(\$230,910)	\$6,686	\$5,491	\$5,720	(\$1,340)

**Holy Cross Hospital, Inc.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents	\$19,799	\$18	\$83	\$18	\$1,966	\$17,714
Marketable securities whose use is limited	35	-	-	-	-	35
Patient accounts receivable, net of estimated uncollectibles of \$14,475	58,338	-	-	-	695	57,643
Other accounts receivable	3,484	-	2	-	-	3,482
Prepaid expenses and inventories	13,524	4	-	-	478	13,042
Total current assets	95,180	22	85	18	3,139	91,916

Marketable securities and investments whose use is limited

Board-designated funds	62,464	-	-	-	-	62,464
Trustee-held funds	10,394	-	-	-	-	10,394
Donor-restricted funds	14,426	-	-	-	-	14,426
Total marketable securities and investments whose use is limited	87,284	-	-	-	-	87,284

Property and equipment, net

Investments in unconsolidated organizations

Assets held for sale

Other assets

Property and equipment, net	241,048	179	10,857	-	292	229,720
Investments in unconsolidated organizations	2,267	-	-	-	-	2,267
Assets held for sale	18,384	-	-	-	-	18,384
Other assets	24,706	-	2	-	-	24,704
Total assets	\$468,869	\$201	\$10,944	\$18	\$3,431	\$454,275

**Liabilities and Net Assets**

Current liabilities

Current portion of long-term debt and capital lease obligations	\$6,841	\$ -	\$ -	\$ -	\$ -	\$6,841
Portion of variable rate demand obligations classified as current	4,620	-	-	-	-	4,620
Accounts payable and accrued expenses	30,738	-	33	3	272	30,430
Estimated third-party payor settlements, net	3,184	-	-	-	-	3,184
Other	15,484	24	61	-	500	14,899
Liabilities related to assets held for sale	18,850	-	-	-	-	18,850
Total current liabilities	79,717	24	94	3	772	78,824

Long-term debt, net

Other liabilities

Pension liabilities

Insurance liabilities, net of current portion

Total liabilities

Long-term debt, net	121,080	-	-	-	-	121,080
Other liabilities	11,772	-	-	-	-	11,772
Pension liabilities	67,858	-	-	-	-	67,858
Insurance liabilities, net of current portion	30,882	-	-	-	-	30,882
Total liabilities	311,309	24	94	3	772	310,416

Net assets

Unrestricted	140,728	177	10,850	15	2,659	127,027
Temporarily restricted	14,891	-	-	-	-	14,891
Permanently restricted	1,941	-	-	-	-	1,941
Total net assets	157,560	177	10,850	15	2,659	143,859

Total liabilities and net assets

Total liabilities and net assets	\$468,869	\$201	\$10,944	\$18	\$3,431	\$454,275
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**Holy Cross Hospital, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	Holy Cross Hospital, Inc.	Nursing Network, Inc.	Holy Cross Medical Properties, Inc.	Holy Cross Physician Partners	Physicians Outpatient Surgery Center, LLC	Holy Cross Hospital
<b>Unrestricted revenues, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of \$30,498	\$434,080	\$ -	\$ -	\$0	\$7,450	\$426,630
Other operating revenue, gains and other support	13,901	360	1,324	56	4	12,157
Total unrestricted revenues, gains and other support	447,981	360	1,324	56	7,454	438,787
<b>Expenses</b>						
Salaries, wages and benefits	223,128	-	-	418	-	222,710
Medical supplies	82,578	-	-	-	2,381	80,197
Purchased services, professional fees and other expenses	92,451	256	752	616	3,563	87,264
Depreciation and amortization	19,512	18	498	-	224	18,772
Interest	4,779	-	-	-	1	4,778
Insurance	10,581	-	-	-	27	10,554
Total operating expenses	433,029	274	1,250	1,034	6,196	424,275
Operating income	14,952	86	74	(978)	1,258	14,512
<b>Non-operating gains (losses)</b>						
Investment returns, net	6,187	-	-	-	-	6,187
Equity in gains in earnings of unconsolidated organizations	235	-	-	-	-	235
Gain on sale of assets	(35)	-	-	-	-	(35)
Loss on extinguishment of debt	(791)	-	-	-	-	(791)
Change in fair value of interest rate swaps	1,035	-	-	-	-	1,035
Total non-operating gains (losses)	6,631	-	-	-	-	6,631
Excess of revenue over expenses	\$21,583	\$86	\$74	(\$978)	\$1,258	\$21,143

Holy Cross Hospital, Inc  
Consolidating Statement of Changes in Net Assets  
December 31, 2012

(in thousands of dollars)

	Holy Cross Hospital, Inc	Nursing Network, Inc	Holy Cross Long Term Care, Inc	Holy Cross Medical Properties, Inc	Holy Cross Physician Partners	Physicians Outpatient Surgery Center, LLC	Holy Cross Hospital
<b>Unrestricted net assets</b>							
Excess of revenue over expenses	\$21,583	\$86	\$ -	\$74	(\$978)	\$1,258	\$21,143
Decrease in pension liability adjustment	(6,321)	-	-	-	-	-	(6,321)
Net assets released from restrictions for capital expenditures	4,722	-	-	-	-	-	4,722
Other changes	(2,359)	(101)	(2)	(500)	993	(869)	(1,880)
Increase (decrease) in unrestricted net assets before discontinued operations	17,625	(15)	(2)	(426)	15	389	17,664
Loss from discontinued operations	(1,610)	-	-	-	-	-	(1,610)
Increase (decrease) in unrestricted net assets	16,015	(15)	(2)	(426)	15	389	16,054
<b>Temporarily restricted net assets</b>							
Contributions	4,299	-	-	-	-	-	4,299
Investment income	204	-	-	-	-	-	204
Change in unrealized losses on investments	(40)	-	-	-	-	-	(40)
Net assets released from restrictions	(6,847)	-	-	-	-	-	(6,847)
Other changes	(522)	-	-	-	-	-	(522)
Decrease in temporarily restricted net assets	(2,906)	-	-	-	-	-	(2,906)
Increase (decrease) in net assets	13,109	(15)	(2)	(426)	15	389	13,148
Beginning of year	144,451	192	2	11,276	-	2,270	130,711
End of year	<u>\$157,560</u>	<u>\$177</u>	<u>\$ -</u>	<u>\$10,850</u>	<u>\$15</u>	<u>\$2,659</u>	<u>\$143,859</u>

**Saint Joseph's Health System, Inc**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	Saint Joseph's Health System, Inc	Saint Joseph's Health System Corporate	Saint Joseph's Mercy Found, Inc	Mercy Services Downtown	Mercy Care Svcs, Inc	Mercy Senior Care, Inc	SJHS, Adjustments	Saint Joseph's J O C
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$5,772	\$756	\$2,680	\$793	\$1,319	\$224	\$ -	\$ -
Investments	2,174	-	2,174	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$9	72	-	-	-	36	36	-	-
Other accounts receivable	1,750	770	656	-	456	80	(212)	-
Prepaid expenses and inventories	340	126	10	-	201	3	-	-
Total current assets	10,108	1,652	5,520	793	2,012	343	(212)	-
Marketable securities and investments whose use is limited								
Board-designated funds	36,214	34,270	1,944	-	-	-	-	-
Investments	201,106	136,801	56,936	-	7,369	-	-	-
Total marketables securities and investments whose use is limited	237,320	171,071	58,880	-	7,369	-	-	-
Property and equipment, net	11,203	101	5	6,465	3,506	1,126	-	-
Investments in unconsolidated organizations	60,519	-	-	-	6,534	-	(6,534)	60,519
Other assets	59,528	-	5,967	-	-	-	(5,778)	59,339
Total assets	\$378,678	\$172,824	\$70,372	\$7,258	\$19,421	\$1,469	(\$12,524)	\$119,858
<b>Liabilities and Net Assets</b>								
Current liabilities								
Accounts payable and accrued expenses	\$1,886	\$369	\$312	\$ -	\$1,096	\$109	\$ -	\$ -
Estimated third party payor settlements, net	1,554	1,554	-	-	-	-	-	-
Other	2,667	212	1,837	-	781	49	(212)	-
Total current liabilities	6,107	2,135	2,149	-	1,877	158	(212)	-
Long-term debt, net	2,222	-	-	8,000	-	-	(5,778)	-
Other liabilities	1,008	-	1,008	-	-	-	-	-
Pension liabilities	62,995	784	174	-	2,502	196	-	59,339
Insurance liabilities, net of current portion	78	-	2	-	61	15	-	-
Total liabilities	72,410	2,919	3,333	8,000	4,440	369	(5,990)	59,339
Net assets								
Unrestricted	286,924	169,895	55,669	(742)	4,984	1,082	-	56,036
Temporarily restricted	15,440	10	10,835	-	6,628	18	(6,534)	4,483
Permanently restricted	3,904	-	535	-	3,369	-	-	-
Total net assets	306,268	169,905	67,039	(742)	14,981	1,100	(6,534)	60,519
Total liabilities and net assets	\$378,678	\$172,824	\$70,372	\$7,258	\$19,421	\$1,469	(\$12,524)	\$119,858

**Saint Joseph's Health System, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted revenue, gains and other support**

	<b>Saint Joseph's Health System, Inc.</b>	<b>Saint Joseph's Health System Corporate</b>	<b>Saint Joseph's Mercy Found., Inc.</b>	<b>Mercy Services Downtown</b>	<b>Mercy Care Svc's, Inc.</b>	<b>Mercy Senior Care, Inc.</b>	<b>SJHS, Adjustments</b>	<b>Saint Joseph's J.O.C.</b>
Net patient service revenue, net of provision for bad debts of \$49	\$786	\$ -	\$ -	\$ -	\$683	\$103	\$ -	\$ -
Other operating revenue, gains and other support	17,155	1,335	2,693	80	12,634	984	(571)	-
Total unrestricted revenue, gains and other support	<u>17,941</u>	<u>1,335</u>	<u>2,693</u>	<u>80</u>	<u>13,317</u>	<u>1,087</u>	<u>(571)</u>	<u>-</u>
<b>Expenses</b>								
Salaries, wages and benefits	11,107	277	955	-	8,912	963	-	-
Medical supplies	453	-	-	-	448	5	-	-
Purchased services, professional fees and other expenses	4,630	948	1,827	24	2,107	295	(571)	-
Depreciation and amortization	807	190	1	313	274	29	-	-
Interest	91	11	-	80	-	-	-	-
Insurance	203	34	27	8	114	20	-	-
Total operating expenses	<u>17,291</u>	<u>1,460</u>	<u>2,810</u>	<u>425</u>	<u>11,855</u>	<u>1,312</u>	<u>(571)</u>	<u>-</u>
Operating income (loss)	650	(125)	(117)	(345)	1,462	(225)	-	-
<b>Non-operating (losses) gains</b>								
Investment returns, net	15,444	9,735	4,502	-	1,207	-	-	-
Equity in losses of unconsolidated organizations	(88,879)	-	-	-	-	-	-	(88,879)
Loss on sale of assets	(246)	(246)	-	-	-	-	-	-
Total non-operating (losses) gains	<u>(73,681)</u>	<u>9,489</u>	<u>4,502</u>	<u>-</u>	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>(88,879)</u>
(Deficit) excess of revenues over expenses	<u>(\$73,031)</u>	<u>\$9,364</u>	<u>\$4,385</u>	<u>(\$345)</u>	<u>\$2,669</u>	<u>(\$225)</u>	<u>\$ -</u>	<u>(\$88,879)</u>



**Saint Joseph's Health System, Inc**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	Saint Joseph's Health System, Inc	Saint Joseph's at East Georgia	Saint Joseph's Health System Corporate	Saint Joseph's Mercy Found , Inc	Mercy Services Downtown	Mercy Care Svc's, Inc	Mercy Senior Care, Inc	SJHS, Adjustments	Saint Joseph's J O C
<b>Unrestricted net assets</b>									
(Deficit) excess of revenue over expenses	(\$73,031)	\$-	\$9,364	\$4,385	(\$345)	\$2,669	(\$225)	\$-	(\$88,879)
Decrease in pension liability adjustment	(629)	-	(94)	(21)	-	(478)	(36)	-	-
Net assets released from restrictions for capital expenditures	539	-	-	-	-	36	503	-	-
Other changes	(9,100)	(3,594)	(3,609)	345	5	(1,546)	319	-	(1,020)
(Decrease) increase in unrestricted net assets before discontinued operations	(82,221)	(3,594)	5,661	4,709	(340)	681	561	-	(89,899)
Loss from discontinued operations	(163)	-	(163)	-	-	-	-	-	-
(Decrease) increase in unrestricted net assets	(82,384)	(3,594)	5,498	4,709	(340)	681	561	-	(89,899)
<b>Temporarily restricted net assets</b>									
Contributions	240	-	-	185	-	45	10	-	-
Investment income	178	-	-	178	-	-	-	-	-
Net assets released from restrictions	(1,323)	-	-	(1,172)	-	(151)	-	-	-
Other changes	1,194	(36)	-	(7,015)	-	(283)	-	4,045	4,483
Increase (decrease) in temporarily restricted net assets	289	(36)	-	(7,824)	-	(389)	10	4,045	4,483
(Decrease) increase in net assets	(82,095)	(3,630)	5,498	(3,115)	(340)	292	571	4,045	(85,416)
Beginning of year	388,363	3,630	164,407	70,154	(402)	14,689	529	(10,579)	145,935
End of year	<u>\$306,268</u>	<u>\$0</u>	<u>\$169,905</u>	<u>\$67,039</u>	<u>(\$742)</u>	<u>\$14,981</u>	<u>\$1,100</u>	<u>(\$6,534)</u>	<u>\$60,519</u>

**Mercy Hospital (Miami) & Subs.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	Mercy Hospital (Miami) & Subsidiaries	Mercy Hospital (Miami)	Mercy Foundation, Inc.	Sister Emmanuel Hospital	Mercy Medical Development, Inc.	Mercy Mission Services
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$689	\$639	33	\$ -	\$ -	\$17
Investments	853	-	853	-	-	-
Other accounts receivable	557	562	(21)	-	-	16
Prepaid expenses and inventories	5	2	3	-	-	-
Total current assets	2,104	1,203	868	-	-	33
Marketable securities and investments whose use is limited						
Board-designated funds	4,542	4,381	161	-	-	-
Donor-restricted funds	1,619	-	1,619	-	-	-
Investments	4,509	-	4,509	-	-	-
Total marketable securities and investments whose use is limited	10,670	4,381	6,289	-	-	-
Property and equipment, net	3	-	-	-	-	3
Investments in unconsolidated organizations	271	271	-	-	-	-
Other assets	6,588	6,251	337	-	-	-
Total assets	\$19,636	\$12,106	\$7,494	\$0	\$ -	\$36
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable and accrued expenses	\$12,278	\$12,230	\$27	\$ -	\$8	\$13
Estimated third-party payor settlements, net	16,061	11,949	-	(138)	4,250	-
Other	6,434	6,393	-	41	-	-
Total current liabilities	34,773	30,572	27	(97)	4,258	13
Insurance liabilities, net of current portion	4,646	4,646	-	-	-	-
Total liabilities	39,419	35,218	27	(97)	4,258	13
Net assets						
Unrestricted	(21,556)	(23,112)	5,694	97	(4,258)	23
Temporarily restricted	1,619	-	1,619	-	-	-
Permanently restricted	154	-	154	-	-	-
Total net assets	(19,783)	(23,112)	7,467	97	(4,258)	23
Total liabilities and net assets	\$19,636	\$12,106	\$7,494	\$0	\$ -	\$36

**Mercy Hospital (Miami) & Subs.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Hospital (Miami) & Subsidiaries	Mercy Hospital (Miami)	Mercy Foundation, Inc.	Sister Emmanuel Hospital	Mercy Mission Services	Mercy Eliminations
<b>Unrestricted revenue, gains and other support</b>						
Other operating revenue, gains and other support	\$548	\$ -	\$548	\$ -	\$378	(\$378)
Total revenue, gains, and other support	548	-	548	-	378	(378)
<b>Expenses</b>						
Salaries, wages and benefits	340	-	33	-	307	-
Medical supplies	4	-	-	-	4	-
Purchased services, professional fees and other expenses	278	-	582	-	74	(378)
Depreciation and amortization	1	-	-	-	1	-
Insurance	17	-	16	-	1	-
Total operating expenses	640	-	631	-	387	(378)
Operating loss	(92)	-	(83)	-	(9)	-
<b>Non-operating gains</b>						
Investment returns, net	1,246	597	649	-	-	-
Equity in losses in earnings from unconsolidated organizations	51	51	-	-	-	-
Total non-operating gains	1,297	648	649	-	-	-
Excess (deficit) of revenue over expenses	\$1,205	\$648	\$566	\$ -	(\$9)	\$ -

**Mercy Hospital (Miami) & Subs.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted net assets**

Excess (deficit) of revenue over expenses

Other changes

Increase (decrease) in unrestricted net assets before discontinued operations

Loss on discontinued operations

(Decrease) increase in unrestricted net assets

**Temporarily restricted net assets**

Net assets released from restrictions

Decrease in temporarily restricted net assets

(Decrease) increase in net assets

Beginning of year

End of year

	Mercy Hospital (Miami) & Subsidiaries	Mercy Hospital (Miami)	Mercy Foundation, Inc.	Sister Emmanuel Hospital	Mercy Medical Development, Inc.	Mercy Mission Services
	\$1,205	\$648	\$566	\$ -	\$ -	(\$9)
	4	1,540	-	(1,705)	169	-
	1,209	2,188	566	(1,705)	169	(9)
	(2,103)	(2,592)	-	460	29	-
	(894)	(404)	566	(1,245)	198	(9)
	(369)	-	(369)	-	-	-
	(369)	-	(369)	-	-	-
	(1,263)	(404)	197	(1,245)	198	(9)
	(18,520)	(22,708)	7,270	1,342	(4,456)	32
	(\$19,783)	(\$23,112)	\$7,467	\$97	(\$4,258)	\$23

**St Mary's Health Care System, Inc**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	St Mary's Health Care System, Inc	St Mary's Hospital Combined	Good Samaritan Hospital	St Mary's Foundation, Inc	Georgia Health Enterprise, LLC	GHE Physicians, P C	St Mary's Highland Hills Inc	St Mary's Medical Group	Eliminations
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	\$30,533	\$28,670	\$26	\$1,826	\$ -	\$ -	\$24	(\$13)	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$14,134	22,976	20,987	1,428	-	-	-	46	515	-
Other accounts receivable	4,043	30,514	(1,919)	(1,018)	-	-	(5,867)	(17,689)	22
Prepaid expenses and inventories	4,840	4,336	374	-	-	-	31	99	-
Total current assets	62,392	84,507	(91)	808	-	-	(5,766)	(17,088)	22
<b>Marketable securities and investments whose use is limited</b>									
Board-designated funds	12,849	12,849	-	-	-	-	-	-	-
Trustee-held funds	3,324	3,324	-	-	-	-	-	-	-
Donor-restricted funds	7,327	-	-	7,327	-	-	-	-	-
Investments	15,582	14,907	-	-	-	-	675	-	-
Total marketable securities and investments whose use is limited	39,082	31,080	-	7,327	-	-	675	-	-
Property and equipment, net	83,752	63,827	6,478	12	-	-	10,453	2,982	-
Other assets	4,564	10,440	40	102	6,198	(6,198)	-	152	(6,170)
Total assets	\$189,790	\$189,854	\$6,427	\$8,249	\$6,198	(\$6,198)	\$5,362	(\$13,954)	(\$6,148)
<b>Liabilities and Net Assets</b>									
<b>Current liabilities</b>									
Current portion of long-term debt and capital lease obligations	\$1,166	\$1,008	\$ -	\$ -	\$ -	\$ -	\$158	\$ -	\$ -
Accounts payable and accrued expenses	27,491	24,435	1,808	234	-	-	253	739	22
Estimated third party payor settlements, net	3,213	3,213	-	-	-	-	-	-	-
Other	3,374	2,758	616	-	-	-	-	-	-
Total current liabilities	35,244	31,414	2,424	234	-	-	411	739	22
Long-term debt, net	20,968	17,429	-	-	-	-	3,539	-	-
Other liabilities	165	165	-	-	-	-	-	-	-
Pension liabilities	21,558	21,558	-	-	-	-	-	-	-
Insurance liabilities, net of current portion	3,846	3,729	117	-	-	-	-	-	-
Total liabilities	81,781	74,295	2,541	234	-	-	3,950	739	22
<b>Net assets</b>									
Unrestricted	107,583	116,442	3,886	6,706	6,198	(6,198)	1,412	(14,693)	(6,170)
Temporarily restricted	326	(883)	-	1,209	-	-	-	-	-
Permanently restricted	100	-	-	100	-	-	-	-	-
Total net assets	108,009	115,559	3,886	8,015	6,198	(6,198)	1,412	(14,693)	(6,170)
Total liabilities and net assets	\$189,790	\$189,854	\$6,427	\$8,249	\$6,198	(\$6,198)	\$5,362	(\$13,954)	(\$6,148)

**St. Mary's Health Care System, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Mary's Health Care System, Inc.</b>	<b>St. Mary's Hospital Combined</b>	<b>Good Samaritan Hospital</b>	<b>St. Mary's Foundation, Inc.</b>	<b>St. Mary's Highland Hills Inc.</b>	<b>St. Mary's Medical Group</b>
<b>Unrestricted revenue, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of \$13,112	\$185,539	\$162,006	\$12,072	\$ -	\$3,838	\$7,623
Other operating revenue, gains and other support	5,164	2,836	592	1,643	15	78
Total unrestricted revenue, gains and other support	<u>190,703</u>	<u>164,842</u>	<u>12,664</u>	<u>1,643</u>	<u>3,853</u>	<u>7,701</u>
<b>Expenses</b>						
Salaries, wages and benefits	90,599	71,881	6,808	245	1,570	10,095
Medical supplies	34,934	33,940	873	-	9	112
Purchased services, professional fees and other expenses	47,106	40,023	4,312	259	1,009	1,503
Depreciation and amortization	9,772	8,419	394	2	589	368
Interest	901	659	6	-	236	-
Insurance	1,690	1,584	8	-	-	98
Total operating expenses	<u>185,002</u>	<u>156,506</u>	<u>12,401</u>	<u>506</u>	<u>3,413</u>	<u>12,176</u>
Operating income (loss)	5,701	8,336	263	1,137	440	(4,475)
<b>Non-operating gains (losses)</b>						
Investment returns, net	3,207	2,678	-	470	59	-
Loss on sale of assets	(62)	(55)	(7)	-	-	-
Change in fair value of interest rate swaps	239	239	-	-	-	-
Total non-operating gains (losses)	<u>3,384</u>	<u>2,862</u>	<u>(7)</u>	<u>470</u>	<u>59</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u>\$9,085</u>	<u>\$11,198</u>	<u>\$256</u>	<u>\$1,607</u>	<u>\$499</u>	<u>(\$4,475)</u>

**St. Mary's Health Care System, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Mary's Health Care System, Inc.</b>	<b>St. Mary's Hospital Combined</b>	<b>Good Samaritan Hospital</b>	<b>St. Mary's Foundation, Inc.</b>	<b>Georgia Health Enterprise, LLC</b>	<b>GHE Physicians, P.C.</b>	<b>St. Mary's Highland Hills Inc.</b>	<b>St. Mary's Medical Group</b>	<b>Eliminations</b>
<b>Unrestricted net assets</b>									
Excess (deficit) of revenue over expenses	\$9,085	\$11,198	\$256	\$1,607	\$ -	\$ -	\$499	(\$4,475)	\$ -
Decrease in pension liability adjustment	(2,544)	(2,544)	-	-	-	-	-	-	-
Other changes	(510)	(4,140)	3,630	0	-	-	-	-	-
Increase (decrease) in unrestricted net assets	6,031	4,514	3,886	1,607	-	-	499	(4,475)	-
<b>Temporarily restricted net assets</b>									
Net assets released from restrictions	(230)	(230)	-	-	-	-	-	-	-
Decrease in temporarily restricted net assets	(230)	(230)	-	-	-	-	-	-	-
Increase (decrease) in net assets	5,801	4,284	3,886	1,607	-	-	499	(4,475)	-
Beginning of year	102,208	111,275	-	6,408	6,198	(6,198)	913	(10,218)	(6,170)
End of year	<u>\$108,009</u>	<u>\$115,559</u>	<u>\$3,886</u>	<u>\$8,015</u>	<u>\$6,198</u>	<u>(\$6,198)</u>	<u>\$1,412</u>	<u>(\$14,693)</u>	<u>(\$6,170)</u>

**Mercy Medical, A Corporation**  
**Consolidating Balance Sheet**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>Mercy Medical, A Corporation</b>	<b>Hospital, OP</b>	<b>Skilled Nursing</b>	<b>Home Care</b>	<b>Residential</b>	<b>Mercy Life of Alabama</b>	<b>Mercy LIFE Birmingham</b>	<b>Other</b>
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$1,778	\$ -	\$ -	\$907	\$ -	\$871	\$ -	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$303	1,221	(225)	-	1,143	-	303	-	-
Other accounts receivable	98	36	-	-	-	62	-	-
Prepaid expenses and inventories	285	90	-	-	-	26	169	-
Total current assets	3,382	(99)	-	2,050	-	1,262	169	-
Marketable securities and investments whose use is limited								
Board-designated funds	5,679	4,956	(55)	(1,321)	(117)	(34)	-	2,250
Donor-restricted funds	31	31	-	-	-	-	-	-
Investments	122	122	-	-	-	-	-	-
Total marketable securities and investments whose use is limited	5,832	5,109	(55)	(1,321)	(117)	(34)	-	2,250
Property and equipment, net	3,890	1,255	-	-	-	2,546	89	-
Assets held for sale	220	220	0	-	-	-	-	-
Other assets	2,303	2,393	-	-	-	-	(90)	-
Total assets	<u>\$15,627</u>	<u>\$8,878</u>	<u>(\$55)</u>	<u>\$729</u>	<u>(\$117)</u>	<u>\$3,774</u>	<u>\$168</u>	<u>\$2,250</u>
<b>Liabilities and Net Assets</b>								
Current liabilities								
Portion of variable rate demand obligations classified as current	\$12,685	\$12,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,665	1,074	-	-	-	525	66	-
Other	219	(10)	-	-	-	229	-	-
Total current liabilities	14,569	13,749	-	-	-	754	66	-
Other liabilities	1,405	(5,819)	-	-	-	6,305	919	-
Insurance liabilities, net of current portion	2,334	894	-	1,440	-	-	-	-
Total liabilities	18,308	8,824	-	1,440	-	7,059	985	-
Net assets								
Unrestricted	(2,929)	1,212	-	-	-	(3,309)	(832)	-
Temporarily restricted	248	(1,158)	(55)	(711)	(117)	24	15	2,250
Total net assets	(2,681)	54	(55)	(711)	(117)	(3,285)	(817)	2,250
Total liabilities and net assets	<u>\$15,627</u>	<u>\$8,878</u>	<u>(\$55)</u>	<u>\$729</u>	<u>(\$117)</u>	<u>\$3,774</u>	<u>\$168</u>	<u>\$2,250</u>



**Mercy Medical, A Corporation**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Medical, A Corporation</b>	<b>Home Care</b>	<b>Residential</b>	<b>Mercy Life of Alabama</b>	<b>Mercy LIFE Birmingham</b>	<b>Other</b>
<b>Unrestricted revenue, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of (\$7)	\$11,081	\$7,849	(\$253)	\$3,380	\$ -	\$105
Other operating revenue, gains and other support	1,142	79	847	18	-	198
Total unrestricted revenue, gains and other support	12,223	7,928	594	3,398	-	303
<b>Expenses</b>						
Salaries, wages and benefits	8,361	3,466	225	1,953	154	2,563
Medical supplies	1,131	450	-	676	-	5
Purchased services, professional fees and other expenses	5,403	4,327	679	2,412	677	(2,692)
Depreciation and amortization	496	4	114	286	-	92
Interest	388	-	73	19	1	295
Insurance	118	-	6	72	-	40
Total operating expenses	15,897	8,247	1,097	5,418	832	303
Operating (loss) income	(3,674)	(319)	(503)	(2,020)	(832)	0
<b>Non-operating gains</b>						
Investment returns, net	512	-	302	-	-	210
Impairment gains	14	-	-	-	-	14
Gain on sale of assets	4,394	-	-	-	-	4,394
Change in fair value of interest rate swaps	406	-	-	-	-	406
Total non-operating gains	5,326	-	302	-	-	5,024
Excess (deficit) of revenues over expenses	\$1,652	(\$319)	(\$201)	(\$2,020)	(\$832)	\$5,024

Mercy Medical, A Corporation  
Consolidating Statement of Changes in Net Assets  
December 31, 2012

<i>(in thousands of dollars)</i>	Mercy Medical, A Corporation	Hospital, OP	Skilled Nursing	Home Care	Residential	Mercy Life of Alabama	Mercy LIFE Birmingham	Other
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$1,652	\$ -	\$ -	(\$319)	(\$201)	(\$2,020)	(\$832)	\$5,024
Net assets released from restrictions for capital expenditures	110	-	-	-	-	110	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	1,762	-	-	(319)	(201)	(1,910)	(832)	5,024
Loss from discontinued operations	(570)	(32)	(55)	-	(483)	-	-	-
Increase (decrease) in unrestricted net assets	1,192	(32)	(55)	(319)	(684)	(1,910)	(832)	5,024
<b>Temporarily restricted net assets</b>								
Contributions	342	86	-	-	-	241	15	-
Net assets released from restrictions	(290)	-	-	(106)	-	(184)	-	-
Increase (decrease) in temporarily restricted net assets	52	86	-	(106)	-	57	15	-
Increase (decrease) in net assets	1,244	54	(55)	(425)	(684)	(1,853)	(817)	5,024
Beginning of year	(3,925)	-	-	(286)	567	(1,432)	-	(2,774)
End of year	(\$2,681)	\$54	(\$55)	(\$711)	(\$117)	(\$3,285)	(\$817)	\$2,250

**Mercy Community Health, Inc.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
<b>Assets</b>						
Current assets						
Marketable securities whose use is limited	\$1,402	\$3,826	\$126	(\$3,570)	(\$837)	\$1,857
Patient accounts receivable, net of estimated uncollectibles of \$1,655	3,106	2,959	147	-	-	-
Other accounts receivable	40	40	-	-	-	-
Prepaid expenses and inventories	624	358	175	-	-	91
Total current assets	5,172	7,183	448	(3,570)	(837)	1,948
Marketable securities and investments whose use is limited						
Trustee-held funds	1,250	187	933	-	-	130
Donor-restricted funds	277	265	12	-	-	-
Total marketable securities and investments whose use is limited	1,527	452	945	-	-	130
Property and equipment, net	26,143	10,271	15,115	151	-	606
Other assets	895	555	613	17	(379)	89
Total assets	\$33,737	\$18,461	\$17,121	(\$3,402)	(\$1,216)	\$2,773
<b>Liabilities and Net Assets</b>						
Current liabilities						
Current portion of long-term debt and capital lease obligations	\$1,056	\$664	\$354	\$27	\$7	\$4
Accounts payable and accrued expenses	7,349	2,449	1,170	8	2	3,720
Estimated third party payor settlements, net	389	389	-	-	-	-
Other	2,417	1,130	1,226	-	-	61
Total current liabilities	11,211	4,632	2,750	35	9	3,785
Long-term debt, net	24,612	11,264	11,990	982	237	139
Other liabilities	1,383	231	803	-	-	349
Pension liabilities	622	206	400	-	-	16
Insurance liabilities, net of current portion	641	385	96	-	-	160
Deferred revenue from entrance fees	15,041	(82)	15,123	-	-	-
Total liabilities	53,510	16,636	31,162	1,017	246	4,449
Net assets						
Unrestricted	(20,175)	1,572	(14,108)	(4,419)	(1,462)	(1,758)
Temporarily restricted	125	(12)	55	-	-	82
Permanently restricted	277	265	12	-	-	-
Total net assets	(19,773)	1,825	(14,041)	(4,419)	(1,462)	(1,676)
Total liabilities and net assets	\$33,737	\$18,461	\$17,121	(\$3,402)	(\$1,216)	\$2,773

**Mercy Community Health, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
<b>Unrestricted revenue, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of \$308	\$29,442	\$31,445	(\$3)	\$ -	\$ -	(\$2,000)
Other operating revenue, gains and other support	12,117	232	11,715	-	-	170
Total unrestricted revenue, gains and other support	41,559	31,677	11,712	-	-	(1,830)
<b>Expenses</b>						
Salaries, wages and benefits	24,216	19,091	3,415	-	-	1,710
Medical supplies	488	488	-	-	-	-
Purchased services, professional fees and other expenses	11,594	9,258	5,790	58	-	(3,512)
Depreciation and amortization	2,367	878	1,389	1	-	99
Interest	1,239	734	596	45	12	(148)
Insurance	242	140	81	-	-	21
Total operating expenses	40,146	30,589	11,271	104	12	(1,830)
Operating income (loss)	1,413	1,088	441	(104)	(12)	-
<b>Non-operating gains</b>						
Investment returns, net	57	37	27	-	-	(7)
Gain on Sale of Assets	198	197	1	-	-	-
Change in fair value of interest rate swaps	237	-	-	-	-	237
Total non-operating gains	492	234	28	-	-	230
Excess (deficit) of revenues over expenses	\$1,905	\$1,322	\$469	(\$104)	(\$12)	\$230

**Mercy Community Health, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
<b>Unrestricted net assets</b>						
(Deficit) excess of revenue over expenses	\$1,905	\$1,322	\$469	(\$104)	(\$12)	\$230
Other changes	413	413	-	-	-	-
Increase (decrease) in unrestricted net assets	2,318	1,735	469	(104)	(12)	230
<b>Temporarily restricted net assets</b>						
Contributions	35	11	3	-	-	21
Investment (loss) income	(1)	(4)	3	-	-	-
Change in unrealized gains on investments	65	40	25	-	-	-
Net assets released from restrictions	(282)	(282)	-	-	-	-
Other changes	(49)	(15)	(32)	-	-	(2)
(Decrease) increase in temporarily restricted net assets	(232)	(250)	(1)	-	-	19
Increase (decrease) in net assets	2,086	1,485	468	(104)	(12)	249
Beginning of year	(21,859)	340	(14,509)	(4,315)	(1,450)	(1,925)
End of year	(\$19,773)	\$1,825	(\$14,041)	(\$4,419)	(\$1,462)	(\$1,676)

**St Joseph's of the Pines**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	St Joseph's of the Pines	Belle Meade	Pine Knoll	Neese Clinic	Coventry	Family Care Homes	PACE Program	Health Center	Home Care at St Joseph of the Pines	HUD Housing Management
<b>Assets</b>										
Current assets										
Cash and cash equivalents	\$1,972	\$94	\$19	\$1,460	\$10	\$ -	\$308	\$81	\$ -	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$456	1,437	46	27	16	17	1	180	927	223	-
Other accounts receivable	2,565	1,701	264	299	(15)	(5)	235	(97)	(2)	185
Prepaid expenses and inventories	223	76	14	67	3	1	24	35	3	-
Total current assets	6,197	1,917	324	1,842	15	(3)	747	946	224	185
Marketable securities and investments whose use is limited										
Board-designated funds	10,523	10,523	-	-	-	-	-	-	-	-
Investments	4,995	1,099	1,466	761	-	-	1,669	-	-	-
Total marketable securities and investments whose use is limited	15,518	11,622	1,466	761	-	-	1,669	-	-	-
Property and equipment, net	69,186	36,845	11,571	2,145	2,868	1,089	2,712	11,889	22	45
Investments in unconsolidated organizations	50	-	-	50	-	-	-	-	-	-
Other assets	1,573	172	(29)	1,379	26	-	-	25	-	-
Total assets	\$92,524	\$50,556	\$13,332	\$6,177	\$2,909	\$1,086	\$5,128	\$12,860	\$246	\$230
<b>Liabilities and Net Assets</b>										
Current liabilities										
Current portion of long-term debt and capital obligations	\$1,285	\$188	\$270	\$91	\$390	\$ -	\$ -	\$346	\$ -	\$ -
Portion of variable rate demand obligations classified as current	8,425	8,425	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	2,487	970	163	642	(27)	27	464	154	86	8
Other	911	9	1	24	2	-	819	56	-	-
Total current liabilities	13,108	9,592	434	757	365	27	1,283	556	86	8
Long-term debt, net	46,036	21,530	5,961	2,034	8,745	-	-	7,766	-	-
Other liabilities	7,608	3,457	1,223	(10,261)	(4,078)	1,074	8,582	7,103	190	318
Pension liabilities	77	-	-	77	-	-	-	-	-	-
Insurance liabilities, net of current portion	422	27	7	311	4	-	-	73	-	-
Deferred revenue from entrance fees	27,345	21,284	6,061	-	-	-	-	-	-	-
Total liabilities	94,596	55,890	13,686	(7,082)	5,036	1,101	9,865	15,498	276	326
Net assets										
Unrestricted	(2,566)	(5,388)	(356)	12,886	(2,137)	(15)	(4,737)	(2,693)	(30)	(96)
Temporarily restricted	336	54	2	215	10	-	-	55	-	-
Permanently restricted	158	-	-	158	-	-	-	-	-	-
Total net assets	(2,072)	(5,334)	(354)	13,259	(2,127)	(15)	(4,737)	(2,638)	(30)	(96)
Total liabilities and net assets	\$92,524	\$50,556	\$13,332	\$6,177	\$2,909	\$1,086	\$5,128	\$12,860	\$246	\$230

**St Joseph's of the Pines**  
**Consolidating Statement of Operations**  
**December 31, 2012**

<i>(in thousands of dollars)</i>											
	<b>St Joseph's of the Pines</b>	<b>Belle Meade</b>	<b>Pine Knoll</b>	<b>Neese Clinic</b>	<b>Coventry</b>	<b>Family Care Homes</b>	<b>PACE Program</b>	<b>Health Center</b>	<b>Home Care at St Joseph of the Pines</b>	<b>HUD Housing Management</b>	<b>St Joseph of the Pines Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>											
Net patient service revenue, net of provision for bad debts of \$191	\$20,725	(\$204)	(\$28)	\$ -	\$2	(\$11)	\$6,901	\$14,703	\$2,078	\$ -	(\$2,716)
Other operating revenue, gains and other support	17,776	13,194	3,053	298	2,358	859	3	158	19	123	(2,289)
Total unrestricted revenue, gains and other support	38,501	12,990	3,025	298	2,360	848	6,904	14,861	2,097	123	(5,005)
<b>Expenses</b>											
Salaries, wages and benefits	18,535	2,630	1,042	2,752	692	505	2,005	6,914	1,887	108	-
Medical supplies	1,767	-	-	-	8	3	958	795	3	-	-
Purchased services, professional fees and other expenses	14,380	8,483	1,657	(2,991)	828	196	5,436	5,485	269	22	(5,005)
Depreciation and amortization	4,411	2,264	645	380	189	89	229	594	6	15	-
Interest	1,973	1,058	226	81	321	-	2	285	-	-	-
Insurance	176	50	12	62	6	3	14	20	8	1	-
Total operating expenses	41,242	14,485	3,582	284	2,044	796	8,644	14,093	2,173	146	(5,005)
Operating (loss) income	(2,741)	(1,495)	(557)	14	316	52	(1,740)	768	(76)	(23)	-
<b>Non-operating gains (losses)</b>											
Investment returns, net	1,637	1,302	58	84	10	-	183	-	-	-	-
Loss on extinguishment of debt	(1,176)	(633)	(135)	(45)	(192)	-	-	(171)	-	-	-
Change in fair value of interest rate swaps	743	-	-	743	-	-	-	-	-	-	-
Total non-operating gains (losses)	1,204	669	(77)	782	(182)	-	183	(171)	-	-	-
(Deficit) excess of revenues over expenses	(\$1,537)	(\$826)	(\$634)	\$796	\$134	\$52	(\$1,557)	\$597	(\$76)	(\$23)	\$ -

**St Joseph's of the Pines**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>St Joseph's of the Pines</b>	<b>Belle Meade</b>	<b>Pine Knoll</b>	<b>Neese Clinic</b>	<b>Coventry</b>	<b>Family Care Homes</b>	<b>PACE Program</b>	<b>Health Center</b>	<b>Home Care at St Joseph of the Pines</b>	<b>HUD Housing Management</b>
<b>Unrestricted net assets</b>										
(Deficit) excess of revenue over expenses	(\$1,537)	(\$826)	(\$634)	\$796	\$134	\$52	(\$1,557)	\$597	(\$76)	(\$23)
Other changes	(24)	-	-	(24)	-	-	-	-	-	-
(Decrease) increase in unrestricted net assets	(1,561)	(826)	(634)	772	134	52	(1,557)	597	(76)	(23)
<b>Temporarily restricted net assets</b>										
Contributions	162	-	-	162	-	-	-	-	-	-
Net assets released from restrictions	(75)	-	-	(75)	-	-	-	-	-	-
Increase in temporarily restricted net assets	87	-	-	87	-	-	-	-	-	-
(Decrease) increase in net assets	(1,474)	(826)	(634)	859	134	52	(1,557)	597	(76)	(23)
Beginning of year	(598)	(4,508)	280	12,400	(2,261)	(67)	(3,180)	(3,235)	46	(73)
End of year	<b>(\$2,072)</b>	<b>(\$5,334)</b>	<b>(\$354)</b>	<b>\$13,259</b>	<b>(\$2,127)</b>	<b>(\$15)</b>	<b>(\$4,737)</b>	<b>(\$2,638)</b>	<b>(\$30)</b>	<b>(\$96)</b>