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Form **990**
 Department of the Treasury
 Internal Revenue Service

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

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

OMB No 1545-0047
2012
Open to Public Inspection

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

B Check if applicable: <input 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	C Name of organization MADISON ST JOSEPH HEALTH CENTER		D Employer identification number 74-2761145
	Doing Business As		E Telephone number (979) 776-3777
	Number and street (or P O box if mail is not delivered to street address) Room/suite 2801 FRANCISCAN DRIVE		
	City or town, state or country, and ZIP + 4 BRYAN, TX 778022544		

I 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	F Name and address of principal officer: ODETTE BOLANO 2801 FRANCISCAN DRIVE BRYAN, TX 778022544	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶ 0928
J Website: ▶ WWW.ST-JOSEPH.ORG		L Year of formation 1995 M State of legal domicile TX

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: IN THE FRANCISCAN TRADITION, OUT OF REVERENCE FOR THE DIGNITY OF EVERY PERSON, THE HOSPITAL'S MISSION IS TO PROVIDE EXCELLENT HEALTH CARE AND TO PROMOTE WELLNESS THROUGHOUT THE BRAZOS VALLEY		
	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	15
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	10
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	0
	6 Total number of volunteers (estimate if necessary)	6	20
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	55,550	125,193
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	14,123,573	15,924,956
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	0
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	133,991	110,915
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	14,313,114	16,161,064
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	277,753
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)	6,315,505	6,537,498
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0	0	0
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	7,551,608	9,234,020
	18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	13,867,113	16,049,271
19 Revenue less expenses Subtract line 18 from line 12	446,001	111,793	
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	4,688,145	3,490,623
	21 Total liabilities (Part X, line 26)	2,611,698	1,387,516
22 Net assets or fund balances Subtract line 21 from line 20	2,076,447	2,103,107	

Part II Signature Block

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

Sign Here	*****	2013-11-13				
	Signature of officer	Date				
Paid Preparer Use Only	Prnt/Type preparer's name SUSAN MIENCIER		Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P00842339
	Firm's name ▶ PLANTE & MORAN PLLC				Firm's EIN ▶ 38-1357951	
	Firm's address ▶ 600 E FRONT ST SUITE 300 TRAVERSE CITY, MI 49686				Phone no (231) 947-7800	
	May the IRS discuss this return with the preparer shown above? (see instructions) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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

IN THE FRANCISCAN TRADITION, OUT OF REVERENCE FOR THE DIGNITY OF EVERY PERSON, THE HOSPITAL'S MISSION IS TO PROVIDE EXCELLENT HEALTH CARE AND TO PROMOTE WELLNESS THROUGHOUT THE BRAZOS VALLEY

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 \$ 1,590,513 including grants of \$ 0) (Revenue \$ 2,761,400)
EMERGENCY SERVICES MADISON ST JOSEPH PROVIDED EMERGENCY CARE TO 9,906 PATIENTS

4b (Code) (Expenses \$ 1,542,867 including grants of \$ 0) (Revenue \$ 378,771)
INPATIENT ACUTE & SWING BED SERVICES MADISON ST JOSEPH PROVIDED INPATIENT CARE TO 409 PATIENTS FOR 2,979 DAYS

4c (Code) (Expenses \$ 998,836 including grants of \$ 0) (Revenue \$ 2,908,939)
LABORATORY SERVICES MADISON ST JOSEPH PROVIDED 68,267 LAB PROCEDURES TO INPATIENTS, OUTPATIENTS AND EMERGENCY DEPARTMENT PATIENTS

(Code) (Expenses \$ 8,507,740 including grants of \$ 277,753) (Revenue \$ 9,877,380)
PROVIDED CARDIOPULMONARY SERVICES TO PATIENTS GENERATING \$669,546 IN REVENUE AT A COST OF \$371,417, PROVIDED IMAGING SERVICES TO PATIENTS GENERATING \$2,285,648 IN REVENUE AT A COST OF \$553,556, PROVIDED PHARMACY SERVICES TO PATIENTS GENERATING \$514,713 IN REVENUE AT A COST OF \$347,083, PROVIDED PHYSICAL THERAPY SERVICES TO PATIENTS GENERATING REVENUE OF \$361,108 AT A COST OF \$269,261, PROVIDED SUPPLIES TO PATIENTS GENERATING REVENUE OF \$276,616 AT A COST OF \$113,960, PROVIDED MISCELLANEOUS SERVICES GENERATING \$5,769,749 AT A COST OF \$6,574,710
















4d Other program services (Describe in Schedule O)
(Expenses \$ 8,507,740 including grants of \$ 277,753) (Revenue \$ 9,877,380)

4e Total program service expenses 12,639,956

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		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? <i>If "Yes," complete Schedule D, Part IV</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>		No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		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? <i>If "Yes," complete Schedule D, Part VIII</i>		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? <i>If "Yes," complete Schedule D, Part IX</i>	Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		No
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV Checklist of Required Schedules *(continued)*

<p>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> </p>	<p>21</p>	<p>Yes</p>	
<p>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> </p>	<p>22</p>		<p>No</p>
<p>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> </p>	<p>23</p>	<p>Yes</p>	
<p>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></p>	<p>24a</p>		<p>No</p>
<p>b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?</p>	<p>24b</p>		
<p>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?</p>	<p>24c</p>		
<p>d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?</p>	<p>24d</p>		
<p>25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> </p>	<p>25a</p>		<p>No</p>
<p>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> </p>	<p>25b</p>		<p>No</p>
<p>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> </p>	<p>26</p>		<p>No</p>
<p>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> </p>	<p>27</p>		<p>No</p>
<p>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)</p>			
<p>a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> </p>	<p>28a</p>		<p>No</p>
<p>b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> </p>	<p>28b</p>		<p>No</p>
<p>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> </p>	<p>28c</p>	<p>Yes</p>	
<p>29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i></p>	<p>29</p>		<p>No</p>
<p>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></p>	<p>30</p>		<p>No</p>
<p>31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i></p>	<p>31</p>		<p>No</p>
<p>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></p>	<p>32</p>		<p>No</p>
<p>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> </p>	<p>33</p>		<p>No</p>
<p>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> </p>	<p>34</p>	<p>Yes</p>	
<p>35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?</p>	<p>35a</p>	<p>Yes</p>	
<p>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> </p>	<p>35b</p>	<p>Yes</p>	
<p>36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> </p>	<p>36</p>		<p>No</p>
<p>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> </p>	<p>37</p>		<p>No</p>
<p>38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O</p>	<p>38</p>	<p>Yes</p>	

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

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 [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a Enter the number of voting members of the governing body at the end of the tax year (15); 1b Enter the number of voting members included in line 1a, above, who are independent (10); 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? (No); 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? (No); 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? (No); 5 Did the organization become aware during the year of a significant diversion of the organization's assets? (No); 6 Did the organization have members or stockholders? (Yes); 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? (Yes); 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? (Yes); 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: 8a The governing body? (Yes); 8b Each committee with authority to act on behalf of the governing body? (Yes); 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a Did the organization have local chapters, branches, or affiliates? (No); 10b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?; 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? (Yes); 11b Describe in Schedule O the process, if any, used by the organization to review this Form 990; 12a Did the organization have a written conflict of interest policy? If "No," go to line 13 (Yes); 12b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? (Yes); 12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done (Yes); 13 Did the organization have a written whistleblower policy? (Yes); 14 Did the organization have a written document retention and destruction policy? (Yes); 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? 15a The organization's CEO, Executive Director, or top management official (No); 15b Other officers or key employees of the organization (No); 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? (No); 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?

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed; 18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply: [] Own website [] Another's website [X] Upon request [] 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: LISA MCNAIR 2801 FRANCISCAN DRIVE BRYAN, TX (979) 776-2553

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 124,993					
	e Government grants (contributions) 1e _____					
	f All other contributions, gifts, grants, and similar amounts not included above 1f 200					
	g Noncash contributions included in lines 1a-1f \$ _____					
	h Total. Add lines 1a-1f ▶		125,193			
Program Service Revenue	2a PATIENT SERVICES		Business Code			
		622110	15,730,456	15,730,456		
	b ELECTRONIC MED RECORDS	622110	194,500	194,500		
	c _____					
	d _____					
	e _____					
	f All other program service revenue					
g Total. Add lines 2a-2f ▶		15,924,956				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts) ▶					
	4 Income from investment of tax-exempt bond proceeds ▶					
	5 Royalties ▶					
	6a Gross rents	(i) Real	90,348			
		(ii) Personal				
		b Less rental expenses	0			
		c Rental income or (loss)	90,348			
	d Net rental income or (loss) ▶		90,348			90,348
	7a Gross amount from sales of assets other than inventory	(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 CAFETERIA	722210	10,940			10,940	
b MEDICAL RECORDS COPY FEE	561000	5,052			5,052	
c VENDING	722210	3,041			3,041	
d All other revenue		1,534	1,534			
e Total. Add lines 11a-11d ▶		20,567				
12 Total revenue. See Instructions ▶		16,161,064	15,926,490	0	109,381	

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	277,753	277,753		
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	190,291		190,291	
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	4,787,707	3,343,465	1,444,242	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	343,211	239,679	103,532	
9	Other employee benefits	842,631	588,446	254,185	
10	Payroll taxes	373,658	248,643	125,015	
11	Fees for services (non-employees)				
a	Management				
b	Legal				
c	Accounting	30,632		30,632	
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)	1,581,793	1,458,339	123,454	
12	Advertising and promotion	14,373		14,373	
13	Office expenses	399,074	133,828	265,246	
14	Information technology	17,009	3,842	13,167	
15	Royalties				
16	Occupancy	121,673		121,673	
17	Travel	26,463	16,343	10,120	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	200,305		200,305	
23	Insurance	32,743		32,743	
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	BAD DEBT	5,610,163	5,610,163		
b	CORP ASSESSMENT FEES	461,090		461,090	
c	MEDICAL SUPPLIES	456,235	456,235		
d	DRUGS	223,679	223,679		
e	All other expenses	58,788	39,541	19,247	
25	Total functional expenses. Add lines 1 through 24e	16,049,271	12,639,956	3,409,315	0
26	Joint costs. 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) Beginning of year		(B) End of year
Assets	1 Cash—non-interest-bearing	3,612	1	188,440
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	2,058,135	4	1,619,183
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 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		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	164,303	8	155,928
	9 Prepaid expenses and deferred charges	34,449	9	12,527
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 3,643,721		
	b Less accumulated depreciation	10b 2,645,542	988,621	10c 998,179
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets See Part IV, line 11	1,439,025	15	516,366
16 Total assets. Add lines 1 through 15 (must equal line 34)	4,688,145	16	3,490,623	
Liabilities	17 Accounts payable and accrued expenses	433,060	17	372,022
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 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		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	2,178,638	25	1,015,494
	26 Total liabilities. Add lines 17 through 25	2,611,698	26	1,387,516
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	1,911,991	27	2,023,785
	28 Temporarily restricted net assets	164,456	28	79,322
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	2,076,447	33	2,103,107	
34 Total liabilities and net assets/fund balances	4,688,145	34	3,490,623	

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	16,161,064
2	Total expenses (must equal Part IX, column (A), line 25)	2	16,049,271
3	Revenue less expenses Subtract line 2 from line 1	3	111,793
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	2,076,447
5	Net unrealized gains (losses) on investments	5	
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	-85,133
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	2,103,107

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 checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
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	Yes	
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
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		

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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.

Name of the organization

MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h
 a Type I b Type II c Type III - Functionally integrated d Type III - 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									

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 III Support 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 <input type="checkbox"/>						

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)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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.

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
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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?
4a Was a correction made?
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?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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 border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <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> </tbody> </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		2,216
j Total Add lines 1c through 1i			2,216
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).		
a Current year	2a	
b Carryover from last year	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, 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 HOSPITAL PAYS DUES TO THE AMERICAN HOSPITAL ASSOCIATION AND TO THE TEXAS HOSPITAL ASSOCIATION, OF WHICH A PORTION RELATES TO LOBBYING

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2012

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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.

Table with 3 columns: (a) Donor advised funds, (b) Funds and other accounts, and a column for questions 1-6 regarding donor advised funds.

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

Form for Part II Conservation Easements, including questions 1-9 and a table for 'Held at the End of the Year'.

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.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets, including questions 1a-2b.

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	

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	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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 ▶
 - 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

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
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		40,413		40,413
b Buildings		1,266,662	713,316	553,346
c Leasehold improvements				
d Equipment		2,252,990	1,881,042	371,948
e Other		83,656	51,184	32,472
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				998,179

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

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

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

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

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 UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THERE ARE NO MATERIAL UNRECORDED TAX LIABILITIES AS OF DECEMBER 31, 2012 OR 2011

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number
74-2761145

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 checked="" 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	3a	Yes	
<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	3b	Yes	
<input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %			
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"?	4	Yes	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b If "Yes," did the organization make it available to the public?	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)		153	76,745		76,745	0.740 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)		315	129,865	68,608	61,257	0.590 %
d Total Financial Assistance and Means-Tested Government Programs		468	206,610	68,608	138,002	1.330 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)		1,370	3,800		3,800	0.040 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			96,490		96,490	0.920 %
j Total. Other Benefits		1,370	100,290		100,290	0.960 %
k Total. Add lines 7d and 7j		1,838	306,900	68,608	238,292	2.290 %

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

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1 Yes	
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 5,610,191
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	6,282,506
6	Enter Medicare allowable costs of care relating to payments on line 5	6	6,223,469
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	59,037
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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes
9b	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				
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	MADISON ST JOSEPH HEALTH CENTER 2801 FRANCISCAN DRIVE BRYAN, TX 77802	X				X		X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

MADISON ST JOSEPH HEALTH CENTER

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
9	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?	9 Yes	
10	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	10 Yes	
11	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>250 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	11 Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	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)	14 Yes	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		

Billing and Collections			
15	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?	15 Yes	
16	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		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	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	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<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

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

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

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

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

21		No
22		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

- 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
- 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
- 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
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 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.)
- 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
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 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 6A ST JOSEPH REGIONAL HEALTH CENTER - EIN 74-1282696
		PART I, LINE 7 A COST-TO-CHARGE RATIO WAS USED TO COMPLETE THE CHARITY CARE (LINE 7A) PROGRAM THE COST-TO-CHARGE RATIO WAS DERIVED FROM WORKSHEET 2 THAT ACCOMPANIES THE INSTRUCTIONS TO THIS SCHEDULE COST ACCOUNTING DATA AND GENERAL LEDGER AMOUNTS, LESS BAD DEBT AND COST OF CHARITY CARE, WERE USED TO COMPLETE THE OTHER MEANS TESTED GOVERNMENT PROGRAMS (LINE 7C) LINE THE HOSPITAL'S COST ACCOUNTING RECORDS WERE USED TO COMPLETE THE OTHER BENEFITS SECTION (LINE 7E - 7I)
		PART I, L7 COL(F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 24A - BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE SCHEDULE H, PART I, COLUMN F PERCENTAGE EQUALS \$5,610,191
	SCHEDULE H, PART I, LINE 6A	NO, NOT A FORMAL DOCUMENT, HOWEVER, IN 2012 MADISON ST JOSEPH HEALTH CENTER (MSJHC) REPORTED CHARITY CARE AND COMMUNITY BENEFITS INFORMATION VIA THE 2012 TEXAS STATE SUPPLEMENT THE TEXAS STATE SUPPLEMENT IS A SERIES OF QUESTIONS PROVIDED BY THE STATE TO TEXAS FOR ELECTRONIC SUBMISSION TO THE DEPARTMENT OF STATE HEALTH SERVICES, CENTER FOR HEALTH STATISTICS
		PART III, LINE 4 ACCOUNTS RECEIVABLE FINANCIAL STATEMENT FOOTNOTE PATIENT RECEIVABLES CONSIST OF AMOUNTS DUE FROM THIRD-PARTY PAYORS, INCLUDING FEDERAL AND STATE INDEMNITY AND MANAGED CARE PROGRAMS, MANAGED CARE HEALTH PLANS AND COMMERCIAL INSURANCE COMPANIES, AND INDIVIDUAL PATIENTS FOR HEALTH CARE SERVICES RENDERED THE SYSTEM DOES NOT REQUIRE COLLATERAL OR OTHER SECURITY ON ITS PATIENT RECEIVABLES PATIENT ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE SYSTEM ANALYZES ITS HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON SPECIFIC ACCOUNTS, HISTORICAL WRITE-OFF EXPERIENCE, AND CURRENT MARKET CONDITIONS THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE REALIZATION OF AMOUNTS DUE UNLIKELY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS, WHICH INCLUDE BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLES AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL, THE SYSTEM RECORDS A PROVISION FOR BAD DEBTS ON THE BASIS OF ITS PAST EXPERIENCE THE DIFFERENCE BETWEEN THE STANDARD RATES AND THE AMOUNT ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE BAD DEBT EXPENSE REPORTED ON PART III, LINE 2, IS THE BAD DEBT EXPENSE REPORTED ON FORM 990, PART IX THE HOSPITAL WAS UNABLE TO MAKE AN ESTIMATE OF THE ORGANIZATION'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY
		PART III, LINE 8 NO MEDICARE SHORTFALL IS REPORTED THE AMOUNTS REPORTED FOR MEDICARE ARE FROM THE MEDICARE COST REPORT - WHICH IS BASED ON THE METHODOLOGY REQUIRED FOR COMPLETING THE MEDICARE COST REPORT
		PART III, LINE 9B IN ACCORDANCE WITH ST JOSEPH HEALTH SYSTEM POLICY #17 ST JOSEPH HEALTH SYSTEM HAS ESTABLISHED THE FOLLOWING PAYMENT OPTIONS TO ASSIST GUARANTORS OF PATIENT ACCOUNTS IN DISCHARGING THEIR FINANCIAL RESPONSIBILITIES TO THE HOSPITAL A COMPLETED FINANCIAL ASSISTANCE (UNCOMPENSATED SERVICES) APPLICATION ACCOMPANIED BY THE REQUIRED DOCUMENTATION WHICH ESTABLISHED THE QUALIFICATIONS FOR A FINANCIAL ASSISTANCE (CHARITY) DISCOUNT AT OR PRIOR TO THE DELIVERY OF HEALTH CARE SERVICES IF THE SERVICES ARE SCHEDULED IF UNSCHEDULED SERVICES ARE PROVIDED, THE FINANCIAL ASSISTANCE APPLICATION AND DOCUMENTATION MUST BE COMPLETED AND PROVIDED TO A ST JOSEPH HEALTH SYSTEM TEAM MEMBER AT THE DATE DETERMINED BY THE ST JOSEPH HEALTH SYSTEM TEAM MEMBER FINANCIAL ASSISTANCE COLLECTION PROCESS - UNTIL FINANCIAL ASSISTANCE APPLICATION (CHARITY CARE/UNCOMPENSATED CARE) HAS BEEN DETERMINED EITHER BY A COMPLETED AND APPROVED FINANCIAL ASSISTANCE APPLICATION OR BY THE PATIENT/RESPONSIBLE PARTY'S RESIDENCE BEING IN AN IMPOVERISHED ZIP CODE WHICH QUALIFIES FOR FINANCIAL ASSISTANCE PER THE SYSTEM FINANCIAL ASSISTANCE POLICY (SJHS #70), THE STANDARD COLLECTION PROCESS REQUIRING PAYMENT FOR THE ACCOUNT WILL BE ENFORCED LASTLY, A PATIENT MAY QUALIFY AS UNINSURED PATIENT AND RECEIVE A DISCOUNT FROM BILLED CHARGES IF THEY ARE NOT CURRENTLY RECEIVING ASSISTANCE UNDER ST JOSEPH HEALTH SYSTEM'S FINANCIAL ASSISTANCE POLICY, AND EITHER THE PATIENT MUST NOT HAVE ANY HEALTH INSURANCE COVERAGE OR THE PROCEDURE TO THE PATIENT MUST NOT BE COVERED BY THE HEALTH INSURANCE BENEFITS, AS CONFIRMED BY THE HEALTH BENEFITS PLAN
MADISON ST JOSEPH HEALTH CENTER		PART V, SECTION B, LINE 20D THE MAXIMUM AMOUNT THAT WILL BE CHARGED TO A PATIENT WHO HAS BEEN DEEMED ELIGIBLE FOR ST JOSEPH'S FINANCIAL ASSISTANCE PROGRAM IS BASED UPON THEIR INCOME LEVEL FOR PATIENTS WHOSE INCOME IS LESS THAN 200% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT WILL HAVE NO FINANCIAL OBLIGATION FOR THE SERVICES RECEIVED FOR PATIENTS WHOSE INCOME IS GREATER THAN OR EQUAL TO 200% OF FPG BUT LESS THAN 250% OF FPG, THEIR OBLIGATION WILL BE 10% OF BILLED CHARGES, NOT TO EXCEED 20% OF THE PATIENT'S ANNUAL FAMILY INCOME 10% OF BILLED CHARGES HAS BEEN DETERMINED TO BE WELL BELOW THE AVERAGE OF THE THREE LOWEST NEGOTIATED COMMERCIAL INSURANCE RATES FOR PATIENTS WHO QUALIFY FOR CATASTROPHIC FINANCIAL ASSISTANCE, THEIR OBLIGATION WILL BE 20% OF BILLED CHARGES, NOT TO EXCEED 20% OF THE PATIENTS ANNUAL FAMILY INCOME 20% OF BILLED CHARGES HAS BEEN DETERMINED TO BE WELL BELOW THE AVERAGE OF THE THREE LOWEST NEGOTIATED COMMERCIAL INSURANCE RATES
		PART VI, LINE 2 IN SERVING THE COMMUNITY, MADISON ST JOSEPH HEALTH CENTER (MSJHC) REVIEWS COMMUNITY HEALTH NEEDS ON AN ON-GOING BASIS USING A VARIETY OF INFORMATION, ALTHOUGH THE PRIMARY ASSESSMENT TOOL IS THE BRAZOS VALLEY HEALTH ASSESSMENT SURVEY USING INFORMATION FROM NEEDS ASSESSMENTS, THE HOSPITAL WORKS TO IMPROVE THE HEALTH OF THE COMMUNITY THROUGH THE DELIVERY OF CHARITY AND UNREIMBURSED INDIGENT HEALTH CARE, ACCESS TO PRIMARY CARE THROUGH NETWORK DEVELOPMENT IN OUR REGION, AND COMMUNITY-BASED HEALTH EDUCATION AWARENESS AND PREVENTION PROGRAMS COMMUNITY HEALTH INITIATIVES COMPLETED BY MADISON ST JOSEPH IN 2012 WERE BASED ON RESULTS FROM THE 2010 BRAZOS VALLEY HEALTH STATUS ASSESSMENT, AS WELL AS STATE AND NATIONAL DATA THESE SOURCES IDENTIFIED THE LEADING CAUSES OF DEATH IN THE BRAZOS VALLEY AS CORONARY HEART DISEASE, CANCER, STROKE, CHRONIC OBSTRUCTIVE PULMONARY DISEASE, AND DIABETES THE MOST FREQUENTLY REPORTED CHRONIC DISEASES AND CONDITIONS INCLUDED OBESITY, HYPERTENSION, HIGH CHOLESTEROL, ARTHRITIS, RHEUMATISM, DIABETES, CONGESTIVE HEART FAILURE, EMPHYSEMA AND COPD ST JOSEPH REGIONAL HEALTH CENTER REPRESENTATIVES, THROUGH THE BRAZOS VALLEY HEALTH PARTNERSHIP, WERE INVOLVED IN THE UPDATED HEALTH STATUS ASSESSMENT OF THE BRAZOS VALLEY, WHICH WAS COMPLETED IN SEPTEMBER 2010
		PART VI, LINE 3 INFORMATION CONCERNING FINANCIAL ASSISTANCE FOR PATIENTS IS COMMUNICATED VIA CONSENT FOR ADMISSION AND REGISTRATION COMPLETION, SIGNAGE POSTED IN EMERGENCY ROOMS AND OTHER CONSPICUOUS PATIENT TRAFFIC AREAS, FINANCIAL COUNSELORS, PATIENT COMMUNICATIONS, PATIENT BILLS AND THE ST JOSEPH HEALTH SYSTEM WEBSITE
		PART VI, LINE 4 MADISON ST JOSEPH HEALTH CENTER'S PRIMARY MISSION IS TO PROVIDE HEALTH CARE SERVICES TO THE CITIZENS OF MADISON COUNTY, TEXAS, THROUGH ITS ACUTE CARE AND SPECIALTY CARE FACILITIES ST JOSEPH REGIONAL HEALTH CENTER PROVIDES HEALTH SERVICES TO AN AREA THAT EXCEEDS SEVEN COUNTIES IN THE BRAZOS VALLEY THE SEVEN PRIMARY COUNTIES INCLUDE BRAZOS, LEON, MADISON, BURLESON, GRIMES, WASHINGTON AND ROBERTSON COUNTIES 60% OF THE TOTAL POPULATION SERVED IS LOCATED IN THE BRYAN-COLLEGE STATION METROPOLITAN AREA, MAKING BRAZOS COUNTY THE SYSTEM'S PRIMARY SERVICE AREA THE OTHER SIX COUNTIES CUMULATIVELY ACCOUNT FOR 40% OF THE INPATIENT ADMISSIONS TO THE REGIONAL HEALTH CENTER IN BRYAN
		PART VI, LINE 5 APPROXIMATELY 1,500 LIVES ARE TOUCHED BY THE ACTIVITIES SPONSORED BY MADISON ST JOSEPH HEALTH CENTER EACH YEAR DURING 2012, THE ACTIVITIES INCLUDED BLOOD DRIVES, SPEAKING ENGAGEMENTS BY EMPLOYEES TO CIVIC ORGANIZATIONS, CHARITY CARE AND HEALTH FAIRS MADISON ST JOSEPH HEALTH CENTER PROVIDED RENT, UTILITIES, SALARIES AND BENEFITS FOR THE MADISON HEALTH RESOURCE CENTER THE MISSION OF THE MADISON HEALTH RESOURCE CENTER IS TO IMPROVE ACCESS TO CARE AND THE HEALTH STATUS OF MADISON COUNTY RESIDENTS THROUGH COLLABORATION AND COORDINATION OF SERVICES THE MADISON HEALTH RESOURCE CENTER IS A PLACE WHERE MANY DIFFERENT KINDS OF SERVICES ARE OFFERED AND MANY KINDS OF HELP CAN BE FOUND SOME OF THE SERVICES AND PARTNERS ARE - BRAZOS VALLEY COMMUNITY ACTION AGENCY - ENERGY HOUSING - PROVIDES ENERGY ASSISTANCE, WEATHERIZATION, AND AFFORDABLE HOUSING, - MADISON COUNTY COMMUNITY CENTER - PROVIDES PRIMARY CARE TO PEOPLE WITH MEDICARE, MEDICAID, AND NO INSURANCE, - BRAZOS VALLEY COUNCIL ON ALCOHOL & SUBSTANCE ABUSE - SUBSTANCE ABUSE PREVENTION, INTERVENTION, EDUCATION, SCREENING AND REFERRAL SERVICES, - BRAZOS VALLEY AREA AGENCY ON AGING - PROVIDES RIDES FOR HEALTH-RELATED NEEDS, - CHILD CARE MANAGEMENT SERVICES - HELPS WITH CHILD CARE EXPENSES, - COUNTY INDIGENT HEALTH CARE - FINANCIAL ASSISTANCE FOR PHYSICIAN VISITS AND PRESCRIPTIONS, - LONE STAR HEALTH AID - FREE CIVIL LEGAL ASSISTANCE FOR LOW INCOME INDIVIDUALS AND FAMILIES WHO HAVE IMMEDIATE NEEDS AND CAN'T AFFORD AN ATTORNEY, - MEDICATION ASSISTANCE PROGRAM - PROVIDES ASSISTANCE IN OBTAINING PRESCRIPTIONS AT A REDUCED COST BASED ON INCOME, - MHMR EARLY CHILDHOOD INTERVENTION - MENTAL HEALTH SERVICES TO CHILDREN UNDER 3 YEARS OLD, - PHOEBE'S HOME - PROVIDES SERVICES FOR VICTIMS OF DOMESTIC VIOLENCE AND THEIR CHILDREN, - PROJECT UNITY - CASE MANAGEMENT ADDRESSING FAMILY NEEDS INCLUDING HEALTH, MEDICATION ASSISTANCE, EMPLOYMENT, HOUSING AND CHILD CARE, - RONNY BAKER, AUDIOLOGIST - SCREENING AND CARE FOR HEARING NEEDS, - SENIOR MEALS - PROVIDES NUTRITIOUS LUNCH FOR ELIGIBLE SENIORS OVER THE AGE OF 60 THAT ARE HOMEBOUND, - SEXUAL ASSAULT RESOURCE CENTER - PROVIDES SUPPORT SERVICES FOR ALL VICTIMS OF SEXUAL ASSAULT, - TEXAS DEPARTMENT OF STATE HEALTH SERVICES - CHILDREN WITH SPECIAL HEALTH CARE NEEDS, PUBLIC HEALTH NURSING, TEXAS HEALTH STEPS, - TWIN CITY MISSION YOUTH AND FAMILY SERVICES - PROVIDES COUNSELING SERVICES TO AT-RISK YOUTH AGES 0-17, - UNITED WAY OF THE BRAZOS VALLEY - DIAL 211 FROM YOUR TELEPHONE FOR INFORMATION AND REFERRAL SERVICE MADISON ST JOSEPH HEALTH CENTER ALSO COLLECTED AND DISTRIBUTED TOYS IN PARTNERSHIP WITH THE N ZULCH 4H CLUB
		PART VI, LINE 6 MADISON ST JOSEPH HEALTH CENTER (MSJHC) IS A 25-BED CRITICAL ACCESS HOSPITAL IN MADISONVILLE, TEXAS OFFERING A LEVEL IV TRAUMA CENTER, INPATIENT AND OUTPATIENT SERVICES THE HOSPITAL WAS ESTABLISHED BY MADISON COUNTY AND HAS BEEN AN INTEGRAL PART OF THE COMMUNITY SINCE ITS INCEPTION IT JOINED THE ST JOSEPH HEALTH SYSTEM IN 1995 ST JOSEPH OWNS AND OPERATES THE MADISON ST JOSEPH HEALTH CENTER, WHICH SERVES MADISON AND THE SURROUNDING COUNTIES THE OTHER FACILITIES IN THE ST JOSEPH HEALTH SYSTEM ARE AS FOLLOWS - ST JOSEPH REGIONAL HEALTH CENTER (SJRHC) IS THE ANCHOR FACILITY FOR ST JOSEPH HEALTH SYSTEM, A HEALTH MINISTRY OF THE SISTERS OF ST FRANCIS OF SYLVANIA, OHIO ESTABLISHED IN 1936, SJRHC IS A 255-BED HEALTH CARE CENTER OFFERING THE COMMUNITY'S LEAD LEVEL III TRAUMA CENTER, AN EXTENSIVE INPATIENT AND OUTPATIENT SURGERY PROGRAM, AND IS KNOWN THROUGHOUT THE REGION FOR ITS CARDIAC, CANCER, AND REHABILITATION PROGRAMS - GRIMES ST JOSEPH HEALTH CENTER (GSJHC) IS A 25-BED CRITICAL ACCESS HOSPITAL IN NAVASOTA, TEXAS OFFERING A LEVEL IV TRAUMA CENTER, INPATIENT, OUTPATIENT, AND DAY SURGERY SERVICES THE HOSPITAL WAS ESTABLISHED BY GRIMES COUNTY AND HAS BEEN AN INTEGRAL PART OF THE COMMUNITY SINCE ITS INCEPTION IN 1996 IT BECAME PART OF ST JOSEPH REGIONAL HEALTH CENTER ST JOSEPH HAS A LONG-TERM LEASE TO MANAGE AND OPERATE GSJHC, WHICH IS OWNED BY GRIMES COUNTY - BURLESON ST JOSEPH HEALTH CENTER (BSJHC) IS A 25-BED CRITICAL ACCESS HOSPITAL IN CALDWELL, TEXAS OFFERING A LEVEL IV TRAUMA CENTER, INPATIENT AND OUTPATIENT SERVICES THE HOSPITAL WAS ESTABLISHED BY BURLESON COUNTY AND HAS BEEN AN INTEGRAL PART OF THE COMMUNITY SINCE ITS INCEPTION IT JOINED THE ST JOSEPH HEALTH SYSTEM IN 1995 ST JOSEPH HAS A LONG-TERM LEASE TO MANAGE AND OPERATE BURLESON ST JOSEPH HEALTH CENTER, WHICH IS OWNED BY THE BURLESON COUNTY HOSPITAL DISTRICT AND PROVIDES SERVICES TO AN UNDER-SERVED RURAL AND COMMUNITY
REPORTS FILED WITH STATES	PART VI, LINE 7	TX

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.

Part III can be duplicated if additional space is needed.

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

Part IV Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 MADISON ST JOSEPH HEALTH CENTER HAS A CENTRALIZED GRANT SYSTEM IN PLACE TO HELP ENSURE THAT GRANTS ARE (1) APPROPRIATELY PREPARED AND REVIEWED BY MANAGEMENT FOR COMPLETENESS AND ACCURACY, (2) MONITORED FOR APPROPRIATE DISTRIBUTION TO THE APPLICANT/RECIPIENT HOSPITAL COST CENTER (RECIPIENT), AND (3) MONITORED FOR APPROPRIATE DISTRIBUTION OF FUNDS BY THE APPLICANT (RECIPIENT)

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

Part I Questions Regarding Compensation

- 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.
- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

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?

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

- | | |
|--|--|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

- a** The organization?
- b** Any related organization?

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?
- b** Any related organization?

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

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

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
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 3	ANY COMPENSATED OFFICERS LISTED ARE EMPLOYEES OF ST JOSEPH REGIONAL HEALTH CENTER (SJRHC) AND ALL COMPENSATION INFORMATION IS REPORT UNDER EIN 74-1282696 THE FILING ORGANIZATION RELIES ON SJRHC WHICH USES (A) COMPENSATION COMMITTEE, (B) WRITTEN EMPLOYEMENT CONTRACT, (C) INDEPENDENT COMPENSATION CONSULTANT, (D) COMPENSATION SURVEY OR SUTDY, AND (E) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE TO ESTABLISH THE COMPENSATION OF TOP MANAGEMENT OFFICIALS COMPENSATION FOR ALL EMPLOYEES IS PAID BY ST JOSEPH REGIONAL HEALTH CENTER AND ALL COMPENSATION INFORMATION IS REPORTED UNDER EIN 74-1282696 SR NANCY SURMA, OSF, PHD AND SR PENNY DUNN WORK 40 HOURS A WEEK FOR SYLVANIA FRANCISCAN HEALTH BUT DO NOT RECEIVE A W-2 ALL COMPENSATION EARNED WAS PAID TO THE SISTERS OF ST FRANCIS OF SYLVANIA OHIO'S CONGREGATION IN ACCORDANCE WITH IRS REVENUE RULING 77-290 ODETTE BOLANO, PRESIDENT/CEO OF ST JOSEPH REGIONAL HEALTH PARTNERS, RECEIVES COMPENSATION FROM ASCENCION, AN UNRELATED ORGANIZATION
	PART I, LINES 4A-B	THE FOLLOWING INDIVIDUAL RECEIVED A SEVERANCE PAYMENT MR PFITZER RECEIVED REGULAR SALARY AND BENEFITS THROUGH 7/18/12 AND RECEIVED A LUMP SUM PAYMENT FOR ACCRUED PTO ON 7/18 UNDER HIS SEVERANCE AGREEMENT, HE RECEIVED AMOUNTS EQUAL TO HIS REGULAR COMPENSATION AFTER 7/18/12 CURRENT YEAR PAYMENTS, REPORTED IN PART II, COLUMN (B)(III), ARE SUMMARIZED BELOW ANTHONY PFITZER \$200,826 THE FOLLOWING INDIVIDUALS PARTICIPATE IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN CURRENT YEAR PAYMENTS, REPORTED IN PART II, COLUMN (B)(III), ARE SUMMARIZED BELOW JAMES W POPE \$104,670

Software ID:
Software Version:
EIN: 74-2761145
Name: MADISON ST JOSEPH HEALTH CENTER

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				
MICHAEL STEINES MD	(i)	0	0	0	0	0	0	0
	(ii)	272,153	0	0	24,080	2,478	298,711	0
SR NANCY SURMA OSF	(i)	0	0	0	0	0	0	0
	(ii)	174,140	0	1,742	0	6,272	182,154	0
JAMES W POPE	(i)	0	0	0	0	0	0	0
	(ii)	640,430	0	118,412	24,500	20,745	804,087	0
ODETTE BOLANO	(i)	0	0	0	0	0	0	0
	(ii)	250,000	0	29,169	36,691	79,392	395,252	0
ANTHONY D PFITZER	(i)	0	0	0	0	0	0	0
	(ii)	392,073	90,454	200,826	548,519	14,373	1,246,245	0
KATHLEEN KRUSIE	(i)	0	0	0	0	0	0	0
	(ii)	307,581	50,829	0	25,000	16,585	399,995	0
GARY MARK MONTGOMERY MD	(i)	0	0	0	0	0	0	0
	(ii)	303,720	54,290	0	0	23,105	381,115	0
DORIS REDMAN	(i)	0	0	0	0	0	0	0
	(ii)	245,405	27,086	0	18,898	22,149	313,538	0
ALAN HURLEY	(i)	0	0	0	0	0	0	0
	(ii)	208,327	35,680	0	8,532	19,464	272,003	0
MICHAEL RUSSO	(i)	0	0	0	0	0	0	0
	(ii)	196,740	26,579	0	21,908	26,839	272,066	0
MICHAEL COSTA	(i)	0	0	0	0	0	0	0
	(ii)	201,983	21,460	0	30,959	22,247	276,649	0
LISA MCAIR	(i)	0	0	0	0	0	0	0
	(ii)	234,964	48,611	0	19,352	9,506	312,433	0
DON KIRK CRISTY	(i)	0	0	0	0	0	0	0
	(ii)	170,427	19,949	0	24,216	21,484	236,076	0
STEVE CRICHTON	(i)	0	0	0	0	0	0	0
	(ii)	166,066	19,881	0	41,157	7,996	235,100	0
TIM OTTINGER	(i)	0	0	0	0	0	0	0
	(ii)	130,139	15,210	0	5,253	25,685	176,287	0
REED EDMUNDSON	(i)	0	0	0	0	0	0	0
	(ii)	206,201	22,643	0	22,273	18,496	269,613	0
ALAN TOWNSEND	(i)	0	0	0	0	0	0	0
	(ii)	171,428	0	7,998	0	0	179,426	0

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization MADISON ST JOSEPH HEALTH CENTER

Employer identification number 74-2761145

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

Table with 4 main columns: (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

Table with 9 main columns: (a) Name of interested person, (b) Relationship with organization, (c) Purpose of loan, (d) Loan to or from the organization (To/From), (e) Original principal amount, (f) Balance due, (g) In default? (Yes/No), (h) Approved by board or committee? (Yes/No), (i) Written agreement? (Yes/No)

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 5 main columns: (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) BRAZOS VALLEY PATHOLOGY	BOARD MEMBER MICHAEL COHEN IS A DIRECTOR FOR BRAZOS VALLEY PATHOLOGY	6,000	BRAZOS VALLEY PATHOLOGY SERVICES THAT ARE PAID BY MADISON ST JOSEPH HEALTH CENTER		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

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
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE MEMBERSHIP OF THE CORPORATION SHALL CONSIST OF ONE (1) CLASS AND THE ONLY MEMBER OF THE CORPORATION SHALL BE ST JOSEPH SERVICES CORPORATION, D/B/A ST JOSEPH HEALTH SYSTEM, A TEXAS NONPROFIT CORPORATION (HEREINAFTER REFERRED TO AS "ST JOSEPH HEALTH SYSTEM" OR "SJHS" OR THE "MEMBER")

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	BY LAWS SECTION 2 - RESERVED POWER EXERCISABLE BY MEMBER ALONE IN ADDITION TO, AND NOT IN LIMITATION OF, THE POWERS RESERVED TO MEMBERS OF NONPROFIT CORPORATIONS BY LAW AND PURSUANT TO THE ARTICLES OF INCORPORATION AND OTHER PROVISIONS OF THESE BY LAWS, ACTION BY ST JOSEPH HEALTH SYSTEM IN ITS CAPACITY AS SOLE MEMBER OF THE CORPORATION (AND SUBJECT TO APPROVAL BY THE MEMBER OF SJHS, SYLVANIA FRANCISCAN HEALTH ("SFH") (F/K/A FRANCISCAN SERVICE CORPORATION) WHEN REQUIRED BY ITS ARTICLES OF INCORPORATION OR BY LAWS SHALL BE REQUIRED AND SHALL BE SUFFICIENT A) TO APPOINT THE GOVERNANCE COUNCIL MEMBERS AND TO REMOVE THEM AT WILL, WITH OR WITHOUT CAUSE, AS PROVIDED IN ARTICLE IV, SECTION 2 AND 4 OF THESE BY LAWS B) TO APPOINT AND REMOVE THE CEO AS PROVIDED IN ARTICLE VI, SECTION 6 OF THESE BY LAWS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	<p>BY LAWS SECTION 2 - RESERVED POWER EXERCISABLE BY MEMBER ALONE IN ADDITION TO, AND NOT IN LIMITATION OF, THE POWERS RESERVED TO MEMBERS OF NONPROFIT CORPORATIONS BY LAW AND PURSUANT TO THE ARTICLES OF INCORPORATION AND OTHER PROVISIONS OF THESE BYLAWS, ACTION BY ST JOSEPH HEALTH SYSTEM IN ITS CAPACITY AS SOLE MEMBER OF THE CORPORATION (AND SUBJECT TO APPROVAL BY THE MEMBER OF SJHS, SYLVANIA FRANCISCAN HEALTH ("SFH") (F/K/A FRANCISCAN SERVICE CORPORATION) WHEN REQUIRED BY ITS ARTICLES OF INCORPORATION OR BY LAWS SHALL BE REQUIRED AND SHALL BE SUFFICIENT A) TO ADOPT OR CHANGE THE PHILOSOPHY, OBJECTIVES, PURPOSES, OR ETHICAL OR RELIGIOUS STANDARDS OF THE CORPORATION AND OF ORGANIZATIONS CONTROLLED BY THE CORPORATION B) TO AMEND OR REPEAL THE ARTICLES OF INCORPORATION C) TO AMEND OR REPEAL THE BYLAWS OF THE CORPORATION AS PROVIDED IN ARTICLE XIV OF THESE BYLAWS D) TO DISSOLVE OR TERMINATE THE EXISTENCE OF THE CORPORATION AND TO DETERMINE THE DISTRIBUTION OF ASSETS UPON SUCH DISSOLUTION OR TERMINATION IN ACCORDANCE WITH THE ARTICLES OF INCORPORATION, AND E) TO TAKE ANY ACTION NECESSARY TO CONFORM THE PURPOSES AND ACTIVITIES OF THE CORPORATION WITH THE TRADITIONS, TEACHINGS AND CANON LAW OF THE ROMAN CATHOLIC CHURCH AS MAY BE IN EFFECT FROM TIME TO TIME</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	2012 FORM 990 AND ACCOMPANYING SCHEDULES WERE MADE AVAILABLE TO ALL TRUSTEES EITHER ELECTRONICALLY OR BY HARD COPY, DEPENDING UPON THE TRUSTEE'S PREFERENCE, BEFORE THE COMPANY FINALIZED AND SENT THE DOCUMENTS TO THE IRS. THIS DRAFT WAS ALSO AVAILABLE AT THE ADMINISTRATIVE OFFICES OF THE REPORTING ENTITY FOR TRUSTEE'S REVIEW BEFORE THE FINAL 2012 FORM 990 AND ACCOMPANYING SCHEDULES WERE FINALIZED AND SENT TO THE IRS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	IN ACCORDANCE WITH ST JOSEPH HEALTH SYSTEM POLICY NO 38, "CONFLICT OF INTEREST," SECTION 6 DISCLOSURE STATEMENT " A CONFLICT OF INTEREST STATEMENT SHALL BE EXECUTED BY ALL DESIGNATED PERSONS, WHICH WILL BE RETAINED BY THE CORPORATION IN ITS ADMINISTRATIVE OFFICE THIS STATEMENT SHALL BE RENEWED AT LEAST ANNUALLY AT THE REQUEST OF THE CORPORATION AND AT ANY TIME THAT A CONFLICT OF INTEREST MAY ARISE." TO HELP ENSURE THAT DISCLOSURE STATEMENTS ARE COMPLETED ANNUALLY BY ALL BOARD OF TRUSTEE MEMBERS, THE CEO'S OFFICE SUMMARIZES ALL CONFLICTS OF INTEREST DISCLOSED BY EACH ENTITY'S TRUSTEES IN 2012, THE SUMMARY WAS PRESENTED AS AN AGENDA ITEM AT EACH ENTITY'S BOARD OF TRUSTEES MEETING HELD IN AUGUST, 2012 THE REVIEW IS PERFORMED BY THE OFFICE OF THE CEO WHERE DISCLOSURE STATEMENTS ARE ALSO FILED FOR TRUSTEES OTHER DESIGNATED PERSONS' DISCLOSURE STATEMENTS ARE FILED IN INDIVIDUAL PERSONNEL FILES IF EMPLOYED BY SJRHC WHEN A CONFLICT OF INTEREST IS IDENTIFIED, THE INTERESTED PERSON SHALL LEAVE THE MEETING AT WHICH THE DETERMINATION OF A CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT MADE AVAILABLE TO THE GENERAL PUBLIC FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE GENERAL PUBLIC

Identifier	Return Reference	Explanation
WHISTLEBLOWER POLICY AND DOCUMENT RETENTION AND DESTRUCTION POLICY	FORM 990, PART VI, LINES 13 AND 14	THE ORGANIZATION FOLLOWS THE POLICIES OF THE ST JOSEPH HEALTH SYSTEM TO WHICH IT IS AN AFFILIATE. THE POLICIES INCLUDE A WHISTLEBLOWER POLICY AND A DOCUMENT RETENTION AND DESTRUCTION POLICY THAT ARE APPROVED BY THE PRESIDENT AND CEO OF THE SYSTEM. THE BYLAWS OF ST JOSEPH HEALTH SYSTEM STATE " THE PRESIDENT/CEO SHALL HAVE ALL AUTHORITY AND RESPONSIBILITY NECESSARY TO OPERATE THE CORPORATION IN ALL ITS ACTIVITIES AND DEPARTMENTS, SUBJECT ONLY TO SUCH POLICIES AS MAY BE ISSUED BY THE BOARD. THE PRESIDENT/CEO SHALL ACT AS A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD AND OF THE CORPORATION IN ALL MATTERS IN WHICH THE BOARD HAS NOT FORMALLY DESIGNATED SOME OTHER PERSON TO ACT " THEREFORE, THE PRESIDENT/CEO HAS THE AUTHORITY TO APPROVE THE POLICIES. THE TWO POLICIES WERE APPROVED BY THE ST JOSEPH HEALTH SYSTEM BOARD AT THE LAST 2012 BOARD MEETING.

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATION - 85,134 ROUNDING 1

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE COMMITTEE THAT ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT AND SELECTION OF THE INDEPENDENT ACCOUNTANT HAS NOT CHANGED ITS OVERSIGHT PROCESS OR SELECTION PROCESS FROM THE PRIOR YEAR

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

**Open to Public
Inspection**

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization
MADISON ST JOSEPH HEALTH CENTER

Employer identification number

74-2761145

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

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	
(1) ST LEONARD LIMITED PARTNERSHIP 88 EAST BROAD STREET SUITE 1800 CENTERVILLE, OH 45458 31-1481761	LOW INCOME RENTAL RESIDENTIAL	OH	N/A									

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
(1) ALLIANCE HEALTH PROVIDERS OF BRAZOS VALLEY 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2466914	PHYSICIAN HOSPITAL ORGANIZATION	TX	N/A	C				Yes	
(2) TAU ENTERPRISES (DISSOLVED IN 2012) 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2544009	OFFICE BUILDING RENTAL	TX	N/A	C				Yes	
(3) ST LEONARD CENTER 1 INC 8100 CLYO ROAD CENTERVILLE, OH 45458 31-1481764	LOW INCOME RENTAL RESIDENTIAL	OH	N/A	C				Yes	
(4) JOSEPH BERNADINE RESIDENCE LLC 8400 ST FRANCIS DRIVE CENTERVILLE, OH 45458 46-1614594	LOW INCOME RENTAL RESIDENTIAL	OH	N/A	C				Yes	
(5) SFH ASSURANCE LTD SUITE 6 GRAND PAVILION COMMERICAL GRAND CAYMAN KY1- CJ 98-1056892	INSURANCE	CJ	N/A	C				Yes	

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		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m		No
1n		No
1o	Yes	
1p		No
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
(1) ST JOSEPH REGIONAL HEALTH CENTER	Q	8,300,000	CASH
(2) ST JOSEPH REGIONAL HEALTH CENTER	O	80,000	CASH
(3) ST JOSEPH FOUNDATION	C	124,993	ACTUAL AMOUNTS PAID
(4) ST JOSEPH REGIONAL HEALTH CENTER	B	277,753	ACTUAL AMOUNTS PAID

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:
Software Version:
EIN: 74-2761145
Name: MADISON ST JOSEPH HEALTH CENTER

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization
ST JOSEPH SERVICES CORPORATION 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2455161	GOVERNANCE	TX	501(C)(3)	LINE 11A, I	SYLVANIA FRANCISCAN HEALTH	Yes
ST JOSEPH REGIONAL HEALTH CENTER 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-1282696	HEALTH CARE	TX	501(C)(3)	LINE 3	ST JOSEPH SERVICES CORPORATION	Yes
BURLESON ST JOSEPH HEALTH CENTER 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2759890	HEALTH CARE	TX	501(C)(3)	LINE 3	ST JOSEPH SERVICES CORPORATION	Yes
ST JOSEPH MANOR 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2847594	NURSING CARE	TX	501(C)(3)	LINE 9	ST JOSEPH SERVICES CORPORATION	Yes
BURLESON ST JOSEPH MANOR 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2913931	NURSING CARE	TX	501(C)(3)	LINE 9	ST JOSEPH SERVICES CORPORATION	Yes
ST JOSEPH FOUNDATION 2801 FRANCISCAN DRIVE BRYAN, TX 77802 74-2351158	FUNDRAISING	TX	501(C)(3)	LINE 11A, I	ST JOSEPH SERVICES CORPORATION	Yes
ST JOSEPH PHYSICIAN ASSOCIATES 2801 FRANCISCAN DRIVE BRYAN, TX 77802 20-3159302	PHYSICIAN PRACTICE	TX	501(C)(3)	LINE 3	ST JOSEPH SERVICES CORPORATION	Yes
SOPHIA CENTER 6832 CONVENT BLVD SYLVANIA, OH 43560 34-1761656	MENTAL HEALTH	OH	501(C)(3)	LINE 9	SYLVANIA FRANCISCAN HEALTH	Yes
SISTERS OF ST FRANCIS 6832 CONVENT BLVD SYLVANIA, OH 43560 34-4450609	RELIGIOUS	OH	501(C)(3)	LINE 1	N/A	No
SYLVANIA FRANCISCAN HEALTH 3231 CENTRAL PARK WEST SUITE 106 TOLEDO, OH 43617 34-1412964	CHURCH ORG	OH	501(C)(3)	LINE 1	N/A	No
FRANCISCAN LIVING COMMUNITIES 5942 RENAISSANCE PLACE SUITE A TOLEDO, OH 43623 34-1892096	MANAGEMENT SUPPORT	OH	501(C)(3)	LINE 11A, I	SYLVANIA FRANCISCAN HEALTH	Yes
ST LEONARD 8100 CLYO ROAD CENTERVILLE, OH 45458 34-1940863	LONG TERM CARE FACILITY	OH	501(C)(3)	LINE 9	FRANCISCAN LIVING COMMUNITIES	Yes
ST LEONARD FOUNDATION 8100 CLYO ROAD CENTERVILLE, OH 45458 32-0102715	FUNDRAISING	OH	501(C)(3)	LINE 7	ST LEONARD	Yes
PROVIDENCE CARE CENTER 2025 HAYES ROAD SANDUSKY, OH 44870 34-1658625	LONG TERM CARE FACILITY	OH	501(C)(3)	LINE 9	FRANCISCAN LIVING COMMUNITIES	Yes
THE COMMONS OF PROVIDENCE 5000 PROVIDENCE DRIVE SANDUSKY, OH 44870 34-1826097	ASSISTED LIVING FACILITY	OH	501(C)(3)	LINE 9	PROVIDENCE CARE CENTERS	Yes
PROVIDENCE RESIDENTIAL COMMUNITY CORPORATION 5055 PROVIDENCE DRIVE SANDUSKY, OH 44870 34-1896807	INDEPENDENT LIVING FACILITY	OH	501(C)(3)	LINE 9	PROVIDENCE CARE CENTERS	Yes
PROVIDENCE CARE CENTERS 2025 HAYES ROAD SANDUSKY, OH 44870 34-1826099	FINANCIAL SUPPORT	OH	501(C)(3)	LINE 7	PROVIDENCE CARE CENTERS	Yes
FRANCISCAN CARE CENTER 4111 HOLLAND SYLVANIA ROAD TOLEDO, OH 43623 34-1931806	LONG TERM CARE FACILITY	OH	501(C)(3)	LINE 9	FRANCISCAN LIVING COMMUNITIES	Yes
ST CLARE COMMONS 5942 RENAISSANCE PLACE SUITE A TOLEDO, OH 43623 27-0163752	LONG TERM CARE FACILITY	OH	501(C)(3)	LINE 9	FRANCISCAN LIVING COMMUNITIES	Yes
ROSARY CARE CENTER 6832 CONVENT BLVD SYLVANIA, OH 43560 34-1931795	LONG TERM CARE FACILITY	OH	501(C)(3)	LINE 9	SYLVANIA FRANCISCAN HEALTH	Yes

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization
FRANCISCAN PROPERTIES INC 6600 CONVENT ROAD SYLVANIA, OH 43560 34-1412966	SENIOR HOUSING	OH	501(C)(3)	LINE 9	FRANCISCAN LIVING COMMUNITIES	Yes
TRINITY HOSPITAL TWIN CITY 819 NORTH FIRST STREET DENNISON, OH 44621 27-5401105	HEALTH CARE	OH	501(C)(3)	LINE 3	SYLVANIA FRANCISCAN HEALTH	Yes
FRANCISCAN SERVICES SELF INSURANCE TRUST FUND (DISSOLVED IN 2012) 6832 CONVENT BLVD SYLVANIA, OH 43560 34-6895492	SELF INSURANCE TRUST	OH	501(C)(3)	LINE 11A, I	SYLVANIA FRANCISCAN HEALTH	Yes
SYLVANIA FRANCISCAN HEALTH FOUNDATION 3231 CENTRAL PARK WEST SUITE 106 TOLEDO, OH 43617 45-5357161	FUNDRAISING	OH	501(C)(3)	LINE 7	SYLVANIA FRANCISCAN HEALTH	Yes
MADONNA MANOR 2344 AMSTERDAM ROAD VILLA HILLS, KY 41017 61-0654635	LONG TERM CARE FACILITY	KY	501(C)(3)	LINE 9	FRANCISCAN LIVING COMMUNITIES	Yes
FRANCISCAN SHELTERS 6832 CONVENT BLVD SYLVANIA, OH 43560 34-1612437	DOMESTIC VIOLENCE SHELTER	OH	501(C)(3)	LINE 7	SYLVANIA FRANCISCAN HEALTH	Yes
ST JOSEPH REGIONAL HEALTH PARTNERS 2801 FRANCISCAN DRIVE BRYAN, TX 77802 45-4088170	PHYSICIAN SUPPORT	TX	TBD	TBD	ST JOSEPH SERVICES CORPORATION	Yes
						Yes



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)
Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

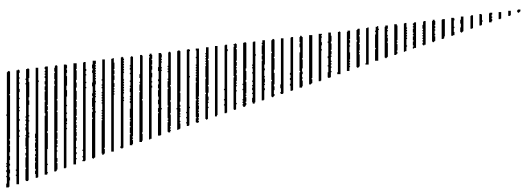
St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2012 and 2011

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Report of Independent Auditors

The Board of Trustees
St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

We have audited the accompanying financial statements of St. Joseph Services Corporation (dba St. Joseph Health System and Subsidiaries) (the System), which comprise the balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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, the financial statements referred to above present fairly, in all material respects, the financial position of the System at December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

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

A stylized signature logo for Ernst & Young, featuring the word 'Ernst' in a cursive script followed by a plus sign and a square box.

May 17, 2013

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Balance Sheets

	December 31	
	2012	2011
Assets		
Current assets:		
Cash	\$ 6,613,318	\$ 4,112,090
Investments	–	5,000,000
Accounts receivable:		
Patient and third-party payors, net of allowance for uncollectible accounts (2012 – \$31,749,670; 2011 – \$31,862,882)	52,813,111	50,745,927
Pledges, net of allowance for uncollectible accounts (2012 – \$45,079; 2011 – \$55,297)	449,912	963,601
Other receivables	3,819,179	4,271,797
Due from affiliate	2,478,537	2,748,003
Supplies	6,609,495	6,786,082
Prepaid expenses	3,249,148	3,722,808
Current portion of assets limited as to use	4,971,553	4,297,777
Total current assets	81,004,253	82,648,085
Pledges receivable, net of current portion	479,149	182,023
Due from affiliate	6,039,585	5,436,015
Investments	158,579,889	138,785,752
Assets limited as to use:		
Under indenture agreements, less current portion	12,040,326	11,791,413
Property, plant, and equipment, net	183,793,784	183,766,165
Other assets:		
Deferred costs, net of amortization	3,039,062	3,421,255
Other	447,332	1,083,737
	3,486,394	4,504,992
Total assets	\$ 445,423,380	\$ 427,114,445

	December 31	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,691,703	\$ 16,741,053
Payroll and related accruals	10,281,806	10,220,804
Due to affiliates	369,912	196,824
Accrued interest	3,666,807	3,686,263
Payable to health insurance programs, net	7,844,706	8,194,377
Current portion of insurance claims reserves	1,509,897	1,359,003
Current maturities of long-term debt	2,175,534	1,321,302
Total current liabilities	<u>44,540,365</u>	<u>41,719,626</u>
Other long-term liabilities	2,240,673	2,783,918
Due to affiliates	6,039,585	5,436,015
Derivative liability	13,290,750	13,267,665
Long-term debt, less current portion	140,937,640	142,886,040
Total liabilities	<u>207,049,013</u>	<u>206,093,264</u>
Net assets:		
Unrestricted	235,508,099	218,150,599
Board-designated endowments	215,585	215,585
Total unrestricted	<u>235,723,684</u>	<u>218,366,184</u>
Temporarily restricted	2,650,683	2,654,997
Total net assets	<u>238,374,367</u>	<u>221,021,181</u>
Total liabilities and net assets	<u><u>\$ 445,423,380</u></u>	<u><u>\$ 427,114,445</u></u>

See accompanying notes.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2012	2011
Unrestricted revenue, gains, and other support:		
Patient service revenue, net of contractual allowances and discounts	\$ 358,590,015	\$ 361,169,204
Less provision for bad debts	32,364,532	39,557,673
Net patient service revenue, less provision for bad debts	326,225,483	321,611,531
Other revenue	8,126,593	5,830,626
Total unrestricted revenue, gains, and other support	334,352,076	327,442,157
Expenses:		
Salaries and wages	141,026,033	134,300,900
Employee benefits	38,904,313	33,489,889
Professional fees	11,762,205	11,555,892
Supplies and pharmaceuticals	47,681,875	49,001,025
Purchased services, utilities, and other	64,304,044	59,849,387
Provision for bad debts	(4,819)	151,896
Depreciation and amortization	18,693,605	18,035,005
Interest	7,563,003	7,724,325
Management fees	2,111,153	1,829,392
Fundraising and grants	282,260	211,795
Total operating expenses	332,323,672	316,149,506
Income from operations	2,028,404	11,292,651
Nonoperating gains (losses):		
Investment income (loss)	13,132,209	(1,912,591)
Gains under interest rate swap agreements	1,855,110	551,616
(Loss) gain on disposal of assets	(94,023)	86,871
Unrestricted contributions (made) received	(326,348)	800
Total nonoperating gains (losses), net	14,566,948	(1,273,304)
Revenues in excess of expenses	16,595,352	10,019,347

Continued on following page

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended December 31	
	2012	2011
Changes in unrestricted net assets:		
Revenues in excess of expenses	\$ 16,595,352	\$ 10,019,347
Net assets released from restriction for property and equipment and other	692,148	393,115
Equity transfers to affiliates	20,000	-
Grant proceeds received and used in the current year for property and equipment	50,000	50,000
Increase in unrestricted net assets	17,357,500	10,462,462
Temporarily restricted:		
Restricted contributions and grant proceeds	980,996	1,201,697
Restricted investment income	7,096	8,601
Net assets released from restrictions	(992,406)	(659,738)
(Decrease) increase in temporarily restricted net assets	(4,314)	550,560
Increase in net assets	17,353,186	11,013,022
Net assets, beginning of year	221,021,181	210,008,159
Net assets, end of year	\$ 238,374,367	\$ 221,021,181

See accompanying notes.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2012	2011
Operating activities		
Increase in net assets	\$ 17,353,186	\$ 11,013,022
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments, net	(364,962)	5,185,925
Loss (gain) on disposal of assets	94,023	(86,871)
Depreciation and amortization	18,693,605	18,035,005
Provision for bad debts	32,359,713	39,709,569
Change in value of interest rate swap agreements	23,085	968,356
Restricted contributions and investment income received	(988,092)	(1,210,298)
Changes in operating assets and liabilities:		
Accounts receivable, patient, and third-party payors	(34,431,716)	(43,015,355)
Investments	(14,429,173)	(19,559,217)
Other receivables	943,466	(3,751,858)
Supplies and prepaid expenses	650,247	(442,926)
Other assets	140,144	(5,234,956)
Accounts payable and accrued expenses, payroll and related accruals, and accrued interest	2,316,178	2,762,847
Other long-term liabilities	60,324	5,457,938
Payable to health insurance programs	(349,671)	2,249,321
Net cash provided by operating activities	22,070,357	12,080,502
Investing activities		
Change in assets limited as to use	(922,689)	6,671,870
Purchases of property, plant, and equipment	(18,313,230)	(12,895,889)
Net cash used in investing activities	(19,235,919)	(6,224,019)
Financing activities		
Repayment of long-term debt, including extinguishment	(1,321,302)	(7,723,957)
Restricted contributions and investment income received	988,092	1,210,298
Net cash used in financing activities	(333,210)	(6,513,659)
Decrease in cash	2,501,228	(657,176)
Cash at beginning of year	4,112,090	4,769,266
Cash at end of year	\$ 6,613,318	\$ 4,112,090
Supplemental cash flow information		
Interest paid	\$ 7,610,770	\$ 8,152,758

See accompanying notes

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements

December 31, 2012

1. Organization and Significant Accounting Policies

Organization

St. Joseph Services Corporation (dba St. Joseph Health System and Subsidiaries) (the System) is a nonprofit corporation engaged in providing health care and related services to a 12-county service area in the Brazos Valley. The System is affiliated with Sylvania Franciscan Health (fka Franciscan Services Corporation), the Sisters of St. Francis of Sylvania, Ohio (the Sisters), and the corporate entities affiliated with these organizations.

Sylvania Franciscan Health is the formal expression of the sponsored health and human services ministry of the Sisters. Among the member organizations in Ohio, Kentucky, and Texas are six hospitals, seven long-term care facilities, four assisted living facilities, independent senior housing facility, a counseling center, a domestic violence shelter, and other supporting organizations.

The accounting principles followed by the System and the methods of applying those principles that materially affect the determination of financial position, results of operations, and cash flows are summarized below.

Mission and Business Statement

The mission of St. Joseph Health System is to steward the health ministry of the Sisters of St. Francis in the Brazos Valley by providing governance and direction to all the system organizations that endeavor to be responsive to community health needs.

The System provides health care services to the citizens of Bryan and College Station, Texas, and the 12 counties in the System's Brazos Valley service area through its acute care and specialty care facilities. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses unrelated to the System's primary mission are considered to be nonoperating. Nonoperating gains and losses include investment income (loss), the gains and losses on interest rate swap agreements, gains and losses on disposals of assets, unrestricted contributions, and fundraising expenses.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Consolidation

All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements of the System include the accounts of the following entities:

<u>Entity</u>	<u>System's Relationship to Entity</u>
St. Joseph Regional Health Center of Bryan, Texas (the Hospital)	Sole member
St. Joseph Foundation of Bryan, Texas (the Foundation)	Sole member
Burleson St. Joseph Health Center (Burleson)	Sole member
Madison St. Joseph Health Center (Madison)	Sole member
St. Joseph Manor (SJM)	Sole member
Burleson St. Joseph Manor (BSJM)	Sole member
St. Joseph Regional Health Partners (SHP)	Sole member
St. Joseph Physician Associates (SJPA)	Sole member
Tau Enterprises, Inc. (Tau) (dissolved effective September 30, 2012)	Sole shareholder
Alliance Health Providers of Brazos Valley, Inc. (Alliance)	Sole shareholder

Use of Estimates

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

Cash

Cash consists of currency on hand and demand deposits held at financial institutions. Assets limited as to use by board designation or other arrangements under trust agreements are excluded from cash in the consolidated statements of cash flows.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Charity Care

A patient is classified as a charity patient by reference to certain established policies. Essentially, these policies define charity services as those for which no payment is anticipated. When assessing a patient's inability to pay, the System utilizes the generally recognized poverty income levels and certain other measures of poverty, and also assesses certain cases where charges incurred are significant in comparison to income. Charity care is not reported as revenue in the consolidated statements of operations and changes in net assets.

Income Taxes

The System, the Hospital, the Foundation, SJM, Burleson, BSJM, Madison, and SJPA are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Alliance and Tau are for-profit corporations incorporated under the Texas Business Corporation Act. Federal income tax returns are filed on a separate-entity basis.

There are no material unrecorded tax liabilities as of December 31, 2012 or 2011.

Investments and Investment Income

Investments, including assets limited as to use, consisting of U.S. government securities, corporate bonds, mortgage-backed securities, equities (domestic and international), mutual funds, and money market funds are carried at fair market value with gains and losses reported in the consolidated statements of operations and changes in net assets. The pooled asset accounts and fair value is calculated by using a net asset value provided by the custodian of the fund. The net asset value is based on the value of the underlying assets owned by the fund. Cash equivalents are primarily money market funds. Investments are classified as noncurrent assets in the consolidated balance sheets, net of amounts required to meet current obligations and cash flow requirements, which are classified as current assets.

In December 2012, the Hospital transferred their investments to Sylvania Franciscan Health's master investment pool (Master Investment Pool) in which affiliated organizations participate.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The accompanying consolidated financial statements reflect the Hospital's total interest in the net assets and transactions of the Master Investment Pool as allocated by the custodian. Net assets, as well as earnings and losses of the Master Investment Pool, are allocated to the Hospital based on the sum of the individual accounts of the Master Investment Pool's participants.

Investment (loss) income on proceeds of borrowings held by a trustee, to the extent not capitalized, is reported as other operating revenue. Investment income from all other investments, including unrealized gains and losses on investments, is reported as nonoperating (losses) gains.

Supplies

Supplies are stated at the lower of cost, using the first-in, first-out method, or market.

Operating Indicator

For purposes of display, transactions deemed by management to be ongoing and major or central to the missions of the System and its subsidiaries are reported as unrestricted revenue and expenses. Unrestricted revenue includes that generated from direct patient care, related support services, and interest income on trustee-held funds required by bond indenture. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Assets Limited as to Use

Certain funds are trustee-held for retirement of revenue bonds or funding of capital projects. Accordingly, these assets have been classified as noncurrent, except for amounts held for current payments on revenue bonds and payments for capital-related expenditures. The resulting interest and investment income accrues to the funds. Cash equivalents consist primarily of money market funds.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost or fair value at the date of donation. Property, plant, and equipment donated to the System for operations are recorded as unrestricted support. Depreciation is provided over the estimated useful life of each class of depreciable assets based on expected productive life, and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

When events, circumstances, or operating results indicate that the carrying values of certain long-lived assets that are expected to be held and used might be impaired, the System prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value may be estimated based upon internal evaluations of each market that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar facilities, and independent appraisals. For the year ended December 31, 2012 and 2011, no impairments were recognized.

Patient Receivables and Net Patient Service Revenue

Patient receivables consist of amounts due from third-party payors, including federal and state indemnity and managed care programs, managed care health plans and commercial insurance companies, and individual patients for health care services rendered. The System does not require collateral or other security on its patient receivables. Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the System analyzes its historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon specific accounts, historical write-off experience, and current market conditions. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible receivables.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make realization of amounts due unlikely. For receivables associated with self-pay patients, which include both patients without insurance and patients with deductibles and copayment balances due for which third-party coverage exists for part of the bill, the System records a provision for bad debts on the basis of its past experience. The difference between the standard rates and the amount actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts and charity allowance for self-pay patients increased from 80% of self-pay accounts receivable at December 31, 2011, to 89% of self-pay accounts receivable at December 31, 2012. In addition, the System's self-pay bad debt write-offs decreased 12.7% from \$35,950,087 for fiscal year 2011 to \$31,366,512 for fiscal year 2012. These changes were the result of a shift from bad debt to charity. The System has not changed its charity care or uninsured discount policies during fiscal years 2011 or 2012. The System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant bad debt write-offs from third-party payors.

A summary of activity in the System's allowance for doubtful accounts is as follows:

	Balances at Beginning of Year	Provision of Bad Debt, Net of Recoveries	Accounts Written Off	Balances at End of Year
Year ended December 31, 2012	\$ 31,862,882	\$ 31,253,300	\$ (31,366,512)	\$ 31,749,670

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Net patient service revenue is reported on the accrual basis in the period in which services are provided and is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors (included as payable to health insurance

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

programs in the accompanying consolidated financial statements). 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. During fiscal years 2012 and 2011, the System recognized adjustments related to prior years that increased net patient service revenue by \$7,332,178 and \$3,507,486, respectively. It is at least reasonably possible that the estimated adjustments could change by material amounts in the near term.

For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided, or on the basis of discounted rates, if negotiated. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, approximates as follows:

	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Self-Pay</u>	<u>Other</u>	<u>Total All Payors</u>
2012						
Patient service revenue (net of contractual allowances)	\$ 135,000,000	\$ 21,000,000	\$ 120,000,000	\$ 69,000,000	\$ 14,000,000	\$ 359,000,000
						Total All Payors
2011						
Patient service revenue (net of contractual allowances)	\$ 135,000,000	\$ 25,000,000	\$ 122,000,000	\$ 65,000,000	\$ 14,000,000	\$ 361,000,000

Significant concentrations of accounts receivable from patient and third-party payors include 43% and 42% from government-related programs at December 31, 2012 and 2011, respectively, and 33% and 30% from commercial insurers and managed care organizations at December 31, 2012 and 2011, respectively, with the remaining accounts receivable due directly from patients.

Net revenues from the Medicare and Medicaid programs accounted for approximately 41% and 42% of the System's net patient service revenue for the years ended December 31, 2012 and 2011, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Deferred Costs

Deferred costs represent costs incurred to issue debt obligations or other financial instruments, net of amortization. Deferred costs are amortized over the period the obligation or financial instrument is outstanding, using the interest method.

Professional Liability Insurance

The System is a participant in the Corporation's Self-Insurance Program (the Insurance Program) for professional and general liability insurance coverage. Effective April 1, 2012, the insurance coverage is provided through SFH Assurance, LTD., a wholly-owned subsidiary of the Corporation. Excess coverage has been purchased in amounts deemed adequate to cover claims in excess of the annual Insurance Program limits. Payment of claims in any one year from the Insurance Program and from excess insurance coverage purchased by the Corporation is subject to certain limitations. Payments made by the System to the Insurance Program, which are based on actuarially determined premiums, and for the System's portion of the Corporation's cost for excess insurance coverage are amortized over the coverage period or plan year. The Insurance Program allocates to the System a portion of the known claims and tail liability, which is recorded on the statements of financial position with an offsetting receivable from the Insurance Program. Any liabilities for claims exceeding coverage limits are recorded at the time these become probable and estimable.

Electronic Health Record Incentive Payments

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

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The System accounts for HITECH incentive payments under a grant accounting model. Income from Medicare incentive payments is recognized as revenue after the Hospital has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and there is reasonable assurance the grants will be received. The System recognizes revenue from Medicaid incentive payments after it demonstrates compliance with the meaningful use criteria. Incentive payments totaling \$1,591,675 for the year ended December 31, 2012, are included in total operating revenue in the accompanying statement of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the System's compliance with the meaningful use criteria is subject to audit by the federal government.

Contributions and Pledges Receivable

Contributions and pledges receivable are recorded at fair value at the date the pledge is received. Contributions not restricted by donor are included in unrestricted net assets. Contributions and pledges receivable that are received with donor stipulations that limit the use of donated assets are recorded as temporarily restricted net 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 consolidated statements of operations and changes in net assets as net assets released from restrictions. Allowances for uncollectible pledges are provided for as deemed necessary.

Net Assets

Unrestricted net assets generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions. Temporarily restricted net assets are those whose use has been limited by grant agreements and donors to a specific time period or purpose.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in the ASU clarify the FASB's intent regarding the application of existing fair value measurement requirements and changes to a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The pronouncement was effective for annual periods beginning after December 15, 2011 and therefore was adopted effective January 1, 2012. The adoption of ASU 2011-04 has been reflected in the footnote disclosures included in the accompanying consolidated financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The ASU provided source literature amendments, guidance clarifications, reference corrections, and relocated guidance. The amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2013. The ASU is not expected to have a material impact on the consolidated financial statements.

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows (Topic 230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments require cash receipts from the sale of donated financial assets that had no restrictions and were immediately converted to cash to be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. The pronouncement is effective for fiscal years beginning after June 15, 2013. The ASU is not expected to have a material impact on the consolidated financial statements.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue

Government-Sponsored Programs

The Hospital, Burluson, Madison, SJM, and BSJM have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

For the Hospital, inpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are paid based on a prospective payment system. The Hospital is reimbursed for certain services at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through 2007.

Burluson, Madison, and the Grimes unit of the Hospital received the Critical Access Hospital (CAH) designation from the Centers for Medicare and Medicaid Services. The CAH designation increases Medicare reimbursement by allowing hospitals to receive cost-based reimbursement on inpatient discharges and outpatient services, rather than prospectively determined rates per discharge, among other reimbursement changes. These facilities are reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Madison and Burluson Medicare cost reports through 2010 have been settled by the Medicare fiscal intermediary.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed under fee schedules and a cost reimbursement methodology. The Hospital, Burluson, and Madison are reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital Medicaid cost report has been settled through 2006 by the Medicaid fiscal intermediary. Burluson Medicaid cost report has been settled through 2008, and Madison Medicaid cost report has been settled through 2009 by the Medicaid fiscal intermediary.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Commercial Insurance, Managed Care, and Other Payors

The Hospital, Burleson, Madison, and SJPA have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee-for-service, and prospectively determined daily rates.

The Hospital, Burleson, and Madison have adopted an uninsured discount policy whereby patients without insurance coverage receive discounts from established charges. The resulting adjustment is recorded as revenue deductions from gross charges to arrive at net patient service revenue. The Hospital, Burleson, and Madison recorded uninsured discounts of \$33,376,029 and \$46,740,300 during the year ended December 31, 2012 and 2011, respectively.

3. Charity Care

The Hospital, Burleson, Madison, SJPA, SJM, and BSJM maintain records to identify and monitor the level of charity care they provide. These records include the amount of costs forgone for services and supplies furnished under its charity care policy and equivalent service statistics. The costs of providing care is estimated using the System's internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association and the Internal Revenue Service. The amount of traditional charity care provided, determined on the basis of estimated cost, was \$17,827,199 and \$14,742,277 for the years ended December 31, 2012 and 2011, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

4. Investments

Investments at December 31 consists of the following:

	Unrestricted Investments		Assets Limited as to Use	
	2012	2011	2012	2011
Cash equivalents	\$ 65,697	\$ 8,751,045	\$ 5,905,373	\$ 3,824,075
Mutual funds	—	109,590,195	—	—
Domestic equity securities	650,682	19,353,764	—	—
Money market pooled asset	7,875,354	—	—	—
Domestic equity pooled asset	31,529,138	—	—	—
International equity pooled asset	7,943,536	—	—	—
Fixed income pooled asset	110,515,482	—	—	—
International equity securities	—	6,019,523	—	—
U.S. government securities	—	71,225	1,431,524	507,091
Mortgage-backed securities	—	—	9,091,973	9,442,537
Corporate debt securities	—	—	583,009	2,315,487
Total	158,579,889	143,785,752	17,011,879	16,089,190
Less current portion	—	5,000,000	4,971,553	4,297,777
Noncurrent portion	\$ 158,579,889	\$ 138,785,752	\$ 12,040,326	\$ 11,791,413

Investment return consists of the following for the years ended December 31:

	2012	2011
Operating investment income	\$ 403,892	\$ 350,984
Nonoperating investment income (loss)	13,132,209	(1,912,591)
Restricted income	7,096	8,601
	\$ 13,543,197	\$ (1,553,006)

Nonoperating investment income includes net realized gains of \$12,767,247 and \$3,273,334 for the years ended December 31, 2012 and 2011, respectively, and net unrealized gains of \$364,962 for the year ended December 31, 2012 and net unrealized losses of \$5,185,925 for the year ended December 31, 2011.

St. Joseph Services Corporation
 (dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

5. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 18,518,943	\$ 19,358,534
Buildings and improvements	194,564,859	204,450,340
Fixed equipment	7,410,364	17,052,877
Major movable equipment	115,232,422	107,621,359
Allowance for depreciation and amortization	<u>(161,907,272)</u>	<u>(167,279,114)</u>
	173,819,316	181,203,996
Construction in progress	9,974,468	2,562,169
	<u>\$ 183,793,784</u>	<u>\$ 183,766,165</u>

Estimated costs to complete construction projects approximate \$9,627,388 at December 31, 2012. Construction in progress includes \$3,208,314 in capitalized software costs at December 31, 2012. The System capitalized interest cost of \$144,500 and \$51,000 during 2012 and 2011, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt

Long-term debt consists of the following as of December 31:

	2012	2011
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Revenue Refunding Bonds, Series 1993B (St. Joseph Regional Health Center of Bryan, Texas)	\$ 17,057,800	\$ 17,057,800
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 1997A (St. Joseph Regional Health Center of Bryan, Texas)	47,672,000	47,672,000
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 1997B (St. Joseph Manor)	13,895,000	13,895,000
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 2002 (St. Joseph Regional Health Center of Bryan, Texas)	27,500,000	27,500,000
Brazos County Health Facilities Development Corporation Franciscan Services Corporation Obligated Group Revenue Bonds, Series 2008 (St. Joseph Regional Health Center of Bryan, Texas)	28,090,000	28,610,000
Brazos County Health Facilities Development Corporation Burleson St. Joseph Manor Revenue Bonds, Series 2009	7,140,000	7,445,000
Notes payable to financial institutions, payable monthly, annual interest 3.75%, collateralized by certain property	2,437,523	2,879,248
Charitable gift annuity liability	150,450	171,404
	143,942,773	145,230,452
Less current maturities	2,175,534	1,321,302
Less discounts on bonds	829,599	1,023,110
Long-term debt, less current portion	\$ 140,937,640	\$ 142,886,040

The Hospital, SJM, SJPA (effective June 30, 2012), and the corporate office of Sylvania Franciscan Health are members of the Sylvania Franciscan Health Obligated Group (the Obligated Group), which has adopted a common plan of financing under a master trust indenture.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

The Obligated Group has issued several series revenue bonds through Brazos County Health Facilities Development Corporation in connection with various financing and construction projects. Under a master trust indenture, each member of the Obligated Group is jointly and severally liable for payment of Series 1993B, 1997A, 1997B, 2002, and 2008 Bonds as a result of each having pledged to meet the principal and interest on each note for so long as any bonds are outstanding. In addition, the Obligated Group has agreed to certain operational and financial restrictions to limit additional indebtedness and guarantees, maintain specific financial ratios, and fulfill sinking fund requirements in various trustee accounts, among other covenants. The total amount of Obligated Group bonds outstanding at December 31, 2012 is \$134,214,800. Additionally, the Obligated Group has guaranteed the debt of certain affiliates. The total amount of debt outstanding at December 31, 2012 guaranteed by the Obligated Group is \$51,377,000.

The Series 1993B Bonds consist of term bonds that mature in varying amounts through January 1, 2019, with annual interest ranging from 4.875% to 6% payable semiannually. Bonds outstanding may be redeemed at par. During 2011, the Hospital executed an optional early redemption of \$4,355,000 of the Series 1993B Bonds.

The Series 1997A Bonds consist of term bonds that mature in varying amounts annually through January 1, 2028, and bear annual interest ranging from 4.30% to 5.37% payable semiannually. Outstanding bonds maturing on or after January 1, 2017, are subject to optional redemption equal to the principal plus accrued interest, if any, to the redemption date.

The Series 1997B Bonds consist of term bonds that mature in varying amounts beginning January 1, 2020, and bear annual interest at 5.37% payable semiannually. Outstanding bonds maturing on or after January 1, 2022, are subject to optional redemption equal to the principal plus accrued interest.

The Series 2002 Bonds consist of term bonds that mature in varying amounts annually beginning January 1, 2029, and bear annual interest at 5.38% payable semiannually. Outstanding bonds maturing on or after January 1, 2013, are subject to optional redemption at a premium of 1% plus accrued interest. Bonds outstanding on or after January 1, 2014, may be redeemed at par plus accrued interest.

The Series 2008 Bonds consist of term bonds that mature in varying amounts annually through January 1, 2038, and bear annual interest at a fixed rate ranging from 4.00% to 5.50%.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

In conjunction with a refinancing, BSJM issued the Series 2009 Bonds, which mature July 2029. The Series 2009 Bonds were issued pursuant to a trust indenture between the Brazos County Health Facilities Development Corporation, as issuer, and Wells Fargo Bank, N.A. (Wells Fargo), as trustee. The proceeds from the sale of the Series 2009 Bonds were borrowed by BSJM, pursuant to a loan agreement with the issuer under which BSJM agrees to make payments sufficient to pay the principal and interest as they become due. The Hospital is named as a guarantor pursuant to the loan agreement. The Series 2009 Bonds are supported by a letter of credit issued by Wells Fargo. The letter of credit expires on February 26, 2015. As of December 31, 2012, there have been no draws on the letter of credit. The interest rate for the 2009 Bonds, which is determined weekly, averaged approximately .27% for 2012, and was .25% at December 31, 2012. BSJM may select other interest rate modes for the 2009 Bonds, subject to certain limitations. Outstanding bonds are subject to optional redemption at a price equal to par plus accrued interest to the date of redemption.

In 2002, the Hospital received an office building and land valued at \$400,000 in exchange for an annuity with monthly payments of \$2,376 through 2018, bearing interest at 4.6%.

The following is a schedule of future minimum payments at December 31, 2012, by year and in the aggregate, under long-term debt agreements:

2013	\$ 2,175,534
2014	4,468,485
2015	4,345,855
2016	4,520,655
2017	4,416,176
Thereafter	<u>124,016,068</u>
Total	<u>\$ 143,942,773</u>

The estimated fair value of the System's outstanding revenue bonds is \$144,162,689 and \$143,966,092 at December 31, 2012 and 2011, respectively, based on broker quoted market prices.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

7. Other Financial Instruments and Obligations

The System has an interest rate swap program that utilizes swap transactions to improve the Hospital's capital structure, potentially including net interest cost reduction, hedging, cash flow performance, enhancement of fixed income, and other direct and indirect benefits.

Effective February 3, 2004, the Hospital and Merrill Lynch Capital Services, Inc. (MLCS), entered into a basis swap agreement (the 2004 Swap). The 2004 Swap provides that the Hospital will receive from MLCS a variable amount of interest based upon the BMA Municipal Bond Index and pay to MLCS a variable rate of interest at a rate of 76.75% of the London Interbank Offered Rate (LIBOR) on the notional amount of \$13,750,000.

Effective August 30, 2005, the Hospital and MLCS entered into two fixed receiver swap agreements (the 2005 Swaps). The 2005 Swaps provide that the Hospital will receive from MLCS a fixed amount of interest of 5.35% and pay to MLCS a variable rate of interest based upon the BMA Municipal Bond Index on the initial notional amounts of \$15,665,000 and \$16,555,000. These notional amounts decline each year by the same amount as the amortization of the Series 1993B Bonds. The fair value of the 2005 Swaps is \$0 as of December 31, 2012 and 2011.

Effective August 16, 2007, the Hospital and MLCS entered into five total return swaps and one fixed-payor swap (the 2007 Swaps) related to the outstanding 1997A and 1997B Bonds. The total return swaps provide that the Hospital will receive from MLCS a fixed amount of interest of 4.945% and pay to MLCS a variable rate of interest based upon the SIFMA Index on each notional amount. The fixed payor swap provides that the Hospital will receive from MLCS a variable rate of interest of three-month LIBOR and pay to MLCS a fixed rate of interest of 3.864% on the notional amount of \$48,500,000. The value of the 2007 Swaps and related income activity is allocated between the Hospital and SJM based on the percentage of the 1997A and 1997B Bonds held.

Effective March 12, 2008, the Hospital and MLCS entered into a fixed spread basis swap related to the outstanding 2008 Bonds (the 2008 Swap). The 2008 Swap provides that the Hospital will receive from MLCS a variable rate of interest based upon LIBOR and pay to MLCS a variable rate of interest based upon the BMA Municipal Bond Index on the initial notional amount of \$30,000,000.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

7. Other Financial Instruments and Obligations (continued)

Effective September 21, 2009, BSJM and Wells Fargo entered into a fixed-payor swap related to the outstanding 2009 Bonds (the 2009 Swap). The 2009 Swap provides that BSJM will receive from Wells Fargo a variable rate of interest based upon the SIFMA Municipal Swap Index and pay to Wells Fargo a fixed annual rate of interest of 2.427% on the initial notional amount of \$8,025,000. The notional amount of the swap is reduced each year consistent with the principal payments made on the 2009 Bonds, and the notional amount at December 31, 2012 is \$7,140,000.

Interest rate swap contracts between the System and the swap counterparties expose the System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparty will not be fulfilled. Counterparty credit risk is managed by requiring high credit standards for the System's counterparty. The counterparty to these contracts is a financial institution that carries investment-grade credit ratings. The interest rate swap contracts contain certain collateral provisions applicable to both parties to mitigate credit risk. The System has complied with these provisions as required. The System was not required to post collateral at December 31, 2012 and 2011, respectively. The System may be required to post additional collateral to secure obligations that would be owed to the counterparty under the agreements if terminated, regardless of whether the agreements are actually terminated. The System does not anticipate nonperformance by its counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. Management also mitigates risk through periodic reviews of its derivative positions in the context of its blended cost of capital.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

7. Other Financial Instruments and Obligations (continued)

The following table summarizes the fair value of the System's interest rate swaps at December 31.

Description	Termination Date	Notional Amount	Asset (Liability) Fair Value at December 31	
			2012	2011
Variable basis – 2004 Swap	Feb 2014	\$ 13,750,000	\$ 923	\$ (9,541)
Total return – 2007 Swaps	Oct 2013	3,610,000	(107,181)	(104,901)
Total return – 2007 Swaps	Feb 2018	13,985,000	(410,418)	(400,268)
Total return – 2007 Swaps	Feb 2022	30,077,000	(882,671)	(860,840)
Total return – 2007 Swaps	May 2018	3,870,000	(113,573)	(110,764)
Total return – 2007 Swaps	Feb 2022	10,025,000	(294,205)	(286,928)
Fixed payer – 2007 Swaps	Jan 2028	48,500,000	(11,249,908)	(10,680,597)
Fixed payer – 2009 Swap	Sep 2014	7,140,000	(250,135)	(345,281)
Fixed spread basis – 2008 Swap	Mar 2028	30,000,000	16,418	(468,545)
		<u>\$ 160,957,000</u>	<u>\$ (13,290,750)</u>	<u>\$ (13,267,665)</u>

At December 31, 2012 and 2011, the market value of all the interest rate swap agreements was a net liability of \$13,290,750 and \$13,267,665, respectively, which is included in other long-term liabilities in the accompanying consolidated financial statements. The change in the value of the interest rate swap agreements as of December 31, 2012 and 2011, was an unrealized loss of \$23,085 and \$968,356, respectively. The activity related to the interest rate swap agreement as of December 31, 2012 and 2011, was a net gain of \$1,878,195 and \$1,519,972, respectively. These amounts are included as a component of nonoperating (losses) gains in the accompanying consolidated financial statements.

8. Fair Value Measurements

The System discloses information about its financial assets and liabilities using a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value, that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs that are derived principally from, or corroborated by, observable market data.

Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table represents the System's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, and the basis for that measurement:

	Total Fair Value Measurement at December 31, 2012	Fair Value Measurement at December 31, 2012, Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Master Investment Pool holdings:				
Cash equivalents	\$ 65,697	\$ 65,697	\$ -	\$ -
Domestic equity securities	650,682	650,682	-	-
Money market pooled asset	7,875,354	-	7,875,354	-
Domestic equity pooled asset	31,529,138	-	31,529,138	-
International equity pooled asset	7,943,536	-	7,943,536	-
Fixed income pooled asset	110,515,482	-	110,515,482	-
Cash equivalents	5,905,373	5,905,373	-	-
U.S. government securities	1,431,524	-	1,431,524	-
Mortgage-backed securities	9,091,973	-	9,091,973	-
Corporate debt securities	583,009	-	583,009	-
	<u>\$ 175,591,768</u>	<u>\$ 6,621,752</u>	<u>\$ 168,970,016</u>	<u>\$ -</u>
Interest rate swaps	\$ (13,290,751)	\$ -	\$ (13,290,751)	\$ -

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

	Total Fair Value Measurement at December 31, 2011	Fair Value Measurement at December 31, 2011, Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash equivalents	\$ 12,575,120	\$ 12,575,120	\$ -	\$ -
Mutual funds	109,590,195	109,590,195	-	-
Domestic equity securities	19,353,764	19,353,764	-	-
International equity securities	6,019,523	6,019,523	-	-
U.S. government securities	578,316	-	578,316	-
Mortgage-backed securities	9,442,537	-	9,442,537	-
Corporate debt securities	2,315,487	-	2,315,487	-
	<u>\$ 159,874,942</u>	<u>\$ 147,538,602</u>	<u>\$ 12,336,340</u>	<u>\$ -</u>
Interest rate swaps	\$ (13,267,665)	\$ -	\$ (13,267,665)	\$ -

The valuation methodologies used for instruments measured at fair value as presented in the table above are as follows:

Investments

Investments valued at quoted prices available in an active market are classified within level 1 of the valuation hierarchy. Investments valued based on evaluated bid prices provided by third-party pricing services, for which quoted market prices are not available, and investments valued based on net asset value provided by the custodian of the Master Investment Pool are both classified within Level 2 of the valuation hierarchy. The net asset value is based on the value of the underlying assets owned by the fund.

Interest Rate Swap Agreements

The fair values of interest rate swap agreements are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved and are classified within level 2 of the valuation hierarchy.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

9. Commitments and Contingencies

The System is involved in litigation arising in the course of business. In the opinion of management, the liability, if any, arising from such litigation is adequately covered by the Program or other insurance as mentioned in Note 1 and is not expected to have a material adverse effect on the System's consolidated financial position.

On October 5, 1995, Burleson executed an operating lease agreement with Burleson County Hospital District to lease substantially all of the property, plant, and equipment of the acute care facility located in Caldwell, Texas, for five years with three renewal terms of five years each. Effective October 1, 2005, the Hospital executed a second lease renewal that extended the lease for eight years with one renewal option for an additional period of eight years.

On March 17, 1996, the Hospital executed an operating lease agreement with Grimes County to lease substantially all the plant, property, and equipment of the acute care facility located in Navasota, Texas, for seven years with two renewal terms of seven years each. The lease was renewed for a seven-year term effective September 17, 2010.

The following is a schedule of future minimum payments at December 31, 2012, by year and in the aggregate, under noncancelable operating leases and medical agreements:

2013	\$ 16,230,367
2014	10,462,620
2015	7,697,736
2016	3,986,885
2017	3,696,167
Total	<u>\$ 42,073,775</u>

Expense for operating leases and medical agreements for the years ended December 31, 2012 and 2011, was \$19,550,720 and \$18,771,915 respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans

Defined Benefit Plan

The System participates with other affiliated organizations in the Sisters of St. Francis Lay Employees' Retirement Plan (the Sisters' Plan), which is a noncontributory defined benefit retirement plan covering eligible lay employees. The Sisters' Plan provides for retirement and disability retirement benefits based on years of service and an employee's highest consecutive three-year average earnings. The Sisters and the System intend that this will be a permanent plan for the exclusive benefit of their participants, the joint annuitants, and beneficiaries. Additionally, the Sisters and the System intend, but do not guarantee, to make annual contributions to the fund in an amount not less than the minimum requirements set forth in the actuary's valuation report for the applicable period of time.

The Sisters' Plan is accounted for as a multiemployer pension plan. Accordingly, the System records its required contributions to the Sisters' Plan as net period pension expense. Participating employers contribute an amount equal to a percentage of projected covered compensation.

The System recognized net periodic pension expense of \$7,352,211 and \$7,597,142 for the years ended December 31, 2012 and 2011, respectively, based on amounts funded to the Sisters' Plan. The projected and accumulated benefit obligation exceeded the fair value of plan assets by approximately \$183,900,000 and \$123,800,000, respectively, at December 31, 2012, using a weighted-average discount rate of 4.12%, an expected long-term rate of return on plan assets of 8.0%, and an expected rate of compensation increase of 3.5%.

Defined Contribution Plan

The Hospital has also established the St. Joseph Regional Health Center 403(b) Matching Plan, a single-employer defined contribution employee benefit plan. All employees of the Hospital are eligible to participate upon the date of employment. The System may elect to make discretionary matching contributions of \$.50 for every \$1.00 of an employee's elective deferrals, up to 2% of an employee's compensation. Employees become 100% vested in the employer's contribution after three years of service. The System contributed approximately \$681,091 and \$551,925 during the years ended December 31, 2012 and 2011, respectively.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

11. Transactions With Affiliates

The System paid Sylvania Franciscan Health approximately \$3,589,971 and \$2,909,800 for various expenses during 2012 and 2011, respectively. Additionally, under the Program (see Note 1), the System paid premiums of \$0 and \$3,530,495 to the Program for professional and general liability insurance coverage during 2012 and 2011, respectively. In 2012, Sylvania Franciscan Health dissolved the SIT Trust and formed the SFH Assurance Trust. The System has recorded a receivable from Sylvania Franciscan Health at December 31, 2012 and 2011 of \$968,640 and \$1,389,000, respectively, which is included in due from affiliates in the accompanying consolidated financial statements. This receivable represents a refund of premiums paid and was recorded as a reduction of premium expense in 2011.

12. Functional Expenses

The System and its subsidiaries provide general health care services to residents within their geographic locations. Expenses related to providing these services at December 31 are as follows:

	2012	2011
Fundraising	\$ 145,040	\$ 101,511
Grants	137,220	110,284
General and administrative	131,458,860	128,345,553
Health care	200,582,552	187,592,158
	\$ 332,323,672	\$ 316,149,506

13. Subsequent Events

On March 1, 2013, the System began transitioning the operations of Bellville General Hospital to the System. Bellville General Hospital will be renamed Bellville St. Joseph Health Center and will be fully integrated into the System. The facility and land will continue to be leased from the Bellville Hospital District. In 2012, Bellville General Hospital generated approximately \$9.5 million in net revenue and had minimal net assets based on unaudited information.

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

Notes to Consolidated Financial Statements (continued)

13. Subsequent Events (continued)

The System evaluated events and transactions occurring subsequent to December 31, 2012 through May 17, 2013, the date of issuance of the accompanying consolidated financial statements. During this period, there were no subsequent events requiring recognition in the consolidated financial statements. Additionally, there were no non-recognized subsequent events requiring disclosure.

Supplementary Information

St Joseph Services Corporation
(dba St Joseph Health System and Subsidiaries)

Consolidating Balance Sheet

December 31, 2012

	St. Joseph Services Corporation (dba St Joseph Health System)	Albany Health Partners of Bryan Valley, Inc	Tim Enterprises, Inc	Consolidation and Eliminations	St. Joseph Services Corporation (dba St Joseph Health System) and For-Profit Subsidiaries	St. Joseph Regional Health Center of Bryan, Texas	Madison St Joseph Health Center	Burleson St. Joseph Health Center	Hospitals Subtotal	St. Joseph Foundations of Bryan, Texas	St. Joseph Health Partners	St. Joseph Pharmacia Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Assets																
Current assets																
Cash and cash equivalents (deficit)	\$	\$ 105,736	\$	\$	\$ 105,736	\$ 5,224,650	\$ 188,438	\$ 75,946	\$ 5,489,034	\$ 626,721	\$	\$ 295,076	\$ 49,164	\$ 47,587	\$	\$ 6,613,318
Accounts receivable						45,392,163	1,619,183	1,211,473	48,222,819	-	-	3,489,785	297,175	863,332	-	52,813,111
Patient and third-party payors net										449,912	-	-	-	-	-	449,912
Pledges, net										-	-	-	-	-	-	-
Other receivables		107			107	3,771,866			3,771,866				2,118	45,088		3,819,179
Due from affiliates						2,343,882	47,434	16,116	2,427,432				23,054	28,051		2,478,537
Supplies						6,343,126	155,928	110,441	6,609,495							6,609,495
Prepaid expenses and other assets	285,944	9,833			295,777	1,940,382	12,528	188,519	2,150,429		80,872	619,577	21,404	21,169		2,249,148
Current portion of assets limited as to use						4,596,685			4,596,685				1,440	175,428		4,771,553
Total current assets	285,944	115,676			401,620	69,621,754	2,023,511	1,622,495	73,267,760	1,136,553	80,872	4,404,438	394,355	1,318,655		81,064,231
Pledges receivable, net of current portion										479,149						479,149
Due from affiliates						5,500,967	189,738	144,462	5,835,167				92,216	112,202		6,039,585
Receivable from related parties	895,215	460,649		(2,060)	1,353,824	157,949,336	199,872	249,469	449,341	131,518		167		(1,934,850)		158,579,889
Investments									157,049,336	630,553						
Assets whose use is limited, net of current portion						10,494,570			10,494,570					1,545,736		12,040,326
Property, plant, and equipment, net	33,805				33,805	163,847,389	998,180	950,977	165,796,546	16,992		4,812,454	4,493,530	8,640,457		181,793,784
Other assets						2,369,677			2,369,677				398,694	270,691		3,039,062
Deferred costs net																
Investment in subsidiaries	498,352			(498,352)												
Beneficial interest in the assets of the Foundations						1,500,621	79,522	152,316	1,732,459			1,377	22,635	20,787	(1,577,058)	447,332
Other						282,331			282,331							282,331
	498,352			(498,352)		3,952,629	79,322	152,316	4,184,267			1,377	186,330	291,478	(1,577,058)	3,484,594
Total assets	\$ 1,713,316	\$ 576,345	\$	(500,412)	\$ 1,789,249	\$ 411,366,645	\$ 3,490,623	\$ 3,119,719	\$ 417,976,987	\$ 2,294,765	\$ 80,872	\$ 9,218,416	\$ 5,366,431	\$ 11,908,548	\$ (1,511,908)	\$ 445,423,380

St Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)
Consolidating Balance Sheet (continued)

	St. Joseph Services Corporation (dba St. Joseph Health System)	Almanor Health Providers of Briscoe Valley, Inc.	Tan Enterprise, Inc.	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Shareholders	St. Joseph Regional Health Center of Bryan, Texas	Medina St. Joseph Health Center	Burien St. Joseph Health Center	Hospitals Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Health Partners	St. Joseph Physician Associates	Burien St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Liabilities and net assets																
Current liabilities																
Accounts payable and accrued expenses	\$ 990,752	\$ 75,937	\$ -	(4) \$ 1,066,685	\$ 16,161,576	\$ 173,808	\$ 193,029	\$ 16,528,413	\$ -	\$ -	\$ 829,480	\$ 188,582	\$ 78,541	\$ -	\$ -	\$ 18,691,703
Payroll and related accruals	697,903	-	-	697,903	8,705,328	198,215	132,733	9,036,276	-	2,590	171,293	82,376	91,368	-	-	10,281,806
Due to affiliates	109,374	-	-	109,374	260,538	-	-	260,538	-	-	-	-	-	-	-	369,912
Accrued interest	-	-	-	-	3,261,685	-	-	3,261,685	-	-	-	31,694	373,428	-	-	3,666,807
Payable to Health Insurance Programs	-	-	-	-	7,137,142	409,651	299,599	7,846,392	-	-	-	(1,686)	-	-	-	7,844,706
Current portion of insurance claims reserves	-	-	-	-	1,373,242	47,434	16,116	1,436,792	-	-	-	23,054	28,051	-	-	1,509,897
Current maturities of long-term debt	-	-	-	-	1,866,524	-	-	1,866,524	-	-	-	313,000	-	-	-	2,179,524
Total current liabilities	1,798,029	75,937	-	(4)	1,873,962	38,762,045	829,108	40,252,630	-	2,590	1,200,773	639,020	571,390	-	-	44,540,363
Other long-term liabilities																
Due to affiliates	-	-	-	-	853,341	275,657	-	1,128,998	-	-	-	-	1,111,675	-	-	2,240,673
Payable to related party	165,952	2,060	-	(2,060)	165,952	865,577	93,013	1,037,671	20,149	-	252,165	162,286	296,627	(1,974,850)	-	6,039,585
Derivative liability	-	-	-	-	10,037,284	-	-	10,037,284	-	-	-	250,176	3,005,330	-	-	13,290,750
Long-term debt, less current portion	-	-	-	-	120,377,241	-	-	120,377,241	-	-	-	6,825,000	13,735,399	-	-	140,937,640
Common stock	-	143	-	(143)	-	-	-	-	-	-	-	-	-	-	-	-
Additional contributed capital	-	715,377	-	(715,377)	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings (deficit)	(217,172)	-	-	217,172	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity (deficit)	498,348	-	-	(498,348)	-	-	-	-	-	-	-	-	-	-	-	-
Net assets																
Unrestricted	(230,665)	-	-	-	(230,665)	233,391,723	2,023,785	2,082,383	237,497,891	(21,906)	78,282	7,764,121	(2,424,862)	(6,942,862)	-	235,368,099
Board-designated endowments	-	-	-	-	-	5,500,967	189,738	144,462	5,825,167	-	-	-	92,316	112,202	-	6,039,585
Total unrestricted	(230,665)	-	-	-	(230,665)	233,391,723	2,023,785	2,082,383	237,497,891	1,779	78,282	7,764,121	(2,424,862)	(6,942,862)	-	235,723,684
Temporarily restricted	-	-	-	-	1,578,467	79,322	152,316	1,810,105	2,372,837	-	1,377	22,633	20,787	(1,577,038)	-	2,630,883
Total net assets	(230,665)	-	-	(230,665)	234,970,190	2,103,107	2,234,699	239,307,996	2,374,816	78,282	7,765,498	(2,402,227)	(6,922,075)	(1,577,038)	-	238,374,367
Total liabilities and net assets	\$ 1,717,316	\$ 576,345	\$ -	(500,412)	\$ 1,789,249	\$ 411,366,645	\$ 3,490,623	\$ 3,119,719	\$ 417,976,997	\$ 2,394,765	\$ 80,872	\$ 9,218,436	\$ 5,566,431	\$ 11,908,548	\$ (3,511,908)	\$ 445,423,380

St Joseph Services Corporation
(dba St Joseph Health System and Subsidiaries)

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2012

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Partners of Brazos Valley, Inc.	Tan Enterprises, Inc.	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Subsidiaries	St. Joseph Regional Health Center of Byram, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospitals' Subtotal	St. Joseph Foundation of Byram, Texas	St. Joseph Health Partners	St. Joseph Physician Associates	Burleson St. Joseph Mannor	St. Joseph Mannor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Unrestricted revenue, grants, and other support																
Patient service revenue (net of contractual allowances and discounts)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provision for bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net patient service revenue less provision for bad debts	12,123,530	253,595	928,312	(68,218)	13,237,219	272,776,539	10,120,289	8,393,836	291,290,664	1,078,050	-	23,149,552	4,084,826	7,713,343	(12,902)	326,223,483
Other revenue	-	-	-	-	-	5,950,427	280,470	167,120	6,398,017	-	-	3,784,803	39,989	65,922	(18,496,607)	8,128,593
Total unrestricted revenue, grants, and other support	12,123,530	253,595	928,312	(68,218)	13,237,219	278,726,966	10,400,759	8,560,956	297,688,681	1,078,050	-	26,934,355	4,144,815	7,779,265	(18,509,509)	334,352,076
Expenses																
Salaries and wages	4,166,932	17,580	26,189	-	4,210,701	95,342,323	4,977,993	4,060,918	104,381,234	438,615	131,748	26,118,607	2,437,742	3,307,386	-	141,026,033
Employee benefits	603,090	1,209	9,714	-	614,013	30,359,520	1,559,502	1,227,019	33,137,041	92,011	25,410	3,190,305	826,619	1,117,386	(58,492)	38,904,313
Professional fees	-	-	-	-	-	14,805,889	944,418	1,014,045	16,764,152	-	-	62,601	20,100	14,400	(5,099,048)	11,762,295
Supplies and pharmaceuticals	184	-	-	-	184	44,049,274	716,885	466,538	45,232,695	-	-	1,815,748	433,951	455,550	(56,253)	47,681,875
Purchased services, utilities and other	5,240,485	226,784	424,253	(33,362)	5,858,160	45,570,687	1,276,216	1,481,082	48,287,985	157,324	365,131	6,870,428	741,477	2,541,337	(218,018)	64,304,044
Provision for bad debts	-	-	-	-	-	-	-	-	(10,848)	-	-	-	-	7,583	(1,554)	(4,819)
Depreciation and amortization	1,686	38	305,247	-	306,971	16,549,232	200,307	126,433	16,895,972	1,621	-	938,899	211,981	375,412	(37,231)	18,699,605
Interest	-	-	75,117	-	75,117	6,411,517	-	-	6,611,517	-	-	-	97,475	783,900	(5,006)	7,563,003
Management fees	2,111,155	7,616	27,240	(34,856)	2,111,153	9,848,298	461,090	350,089	10,651,477	37,461	-	991,245	139,368	269,220	(12,888,711)	2,111,153
Fundraising and grants	-	-	-	-	-	-	-	-	971,249	-	-	-	-	-	(688,989)	282,260
Total operating expenses	12,123,530	255,227	867,780	(68,218)	13,176,319	263,099,540	10,136,409	8,726,124	281,962,073	1,687,433	922,289	39,748,033	4,916,236	8,863,057	(18,251,768)	332,323,672
Income (Loss) from operations		368	60,532	-	60,900	15,627,426	264,350	(165,168)	15,726,608	(609,383)	(922,289)	(10,814,478)	(771,421)	(1,083,792)	42,259	2,028,404
Nonoperating gains (losses):																
Investment income (loss)	-	-	-	-	-	13,139,145	-	-	13,139,145	27,900	-	-	-	(29,829)	(5,007)	13,132,209
Gain (Loss) under interest rate swap agreements	-	-	-	-	-	1,783,963	-	-	1,783,963	-	-	-	(69,958)	141,105	1,835,110	
Gain (Loss) on disposal of assets	-	-	-	-	-	(52,718)	-	-	(52,718)	-	-	(41,307)	-	-	(94,025)	
Unrestricted contributions	-	-	-	-	-	(326,348)	200	-	(326,148)	-	-	-	-	-	(76,348)	
Total nonoperating gains (losses), net						14,543,844	200		14,544,044	27,900	-	(41,307)	(69,958)	111,276	(5,007)	14,566,944
Revenue in excess (deficit) of expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	368	60,532	-	-	60,900	10,171,270	264,500	(165,168)	30,270,652	(581,483)	(922,289)	(10,855,785)	(841,379)	(972,516)	37,252	16,595,352

St Joseph Services Corporation
(dba St Joseph Health System and Subsidiaries)

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

	St Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Brazos Valley, Inc	Tan Entersprison, Inc	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Subsidiaries	St. Joseph Episcopal Center of Bryan, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospitals Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Health Partners	St. Joseph Physician Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Other changes in unrestricted net assets																
Net assets released from restrictions for property and equipment	\$	\$	\$	\$	\$	\$ 511,327	\$ 124,997	\$ 7,941	\$ 664,265	\$ 1	\$ 1	\$ 1	\$ 649	\$ 27,231	\$	\$ 692,148
Equity transfers to affiliates						(16,936,996)	(277,753)	287,753	(16,926,996)	180,000	600,570	11,336,375	2,277,542	2,552,709		20,000
Grant proceeds received and used in the current year for purchase of property and equipment								50,000	50,000							50,000
Other changes in unrestricted net assets	(2,175,108)			(60,900)	(2,236,008)	1,067,219			1,067,219						1,168,749	50,000
Increase (decrease) in unrestricted net assets	(2,175,108)	68	60,532	(60,900)	(2,175,108)	14,832,860	111,794	180,526	15 (25,180)	(401,482)	78,282	480,591	1,436,612	1,607,424	1,206,001	17,353,500
Temporarily restricted																
Restricted contributions and grant proceeds						191,623			191,623	789,373						980,996
Beneficial interest in assets of the Foundation						(200,453)	(85,134)	67,804	(217,783)			1,377	405	(22,722)	238,723	
Restricted investment income										7,096						7,096
Net assets released from restrictions										(972,468)						(972,468)
Increase (decrease) in temporarily restricted net assets						(8,810)	(85,134)	67,804	(26,160)	(195,017)		1,377	405	(22,722)	238,723	(4,314)
Increase (decrease) in net assets	(2,175,108)	68	60,532	(60,900)	(2,175,108)	14,824,050	26,660	248,330	15,099,020	(597,419)	78,282	48 (968)	1,437,017	1,584,702	1,444,724	17,353,186
Net assets beginning of year as adjusted	1,924,443				1,924,443	220,146,160	2,076,447	1,986,369	224,208,976	2,972,035		7,283,530	(3,839,244)	(8,506,777)	(3,021,782)	221,021,181
Net assets end of year	\$ (250,665)	\$ 368	\$ 60,532	\$ (60,900)	\$ (250,665)	\$ 234,970,190	\$ 2,103,107	\$ 2,234,699	\$ 239,307,996	\$ 2,374,616	\$ 78,282	\$ 7,765,498	\$ (2,402,227)	\$ (6,922,075)	\$ (1,577,058)	\$ 238,374,367

St Joseph Services Corporation
(dba St Joseph Health System and Subsidiaries)

Consolidating Balance Sheet

December 31, 2011

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Brenza Valley, Inc	Tau Enterprises, Inc	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Subsidiaries	St. Joseph Regional Health Center of Bryan, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospitals' Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Physicians Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Assets															
Current assets															
Cash and cash equivalents (deficit)	\$	\$ 21,960	\$ 71,901	\$	\$ 93,861	\$ 3,303,519	\$ 1,612	\$ (1,493)	\$ 3,305,638	\$ 655,417	\$	\$ 20,136	\$ 37,038	\$	\$ 4,112,090
Investments						5,000,000			5,000,000						5,000,000
Accounts receivable															
Patient and third-party payors net						44,223,596	2,026,201	1,262,024	47,511,821		2,520,593	288,218	425,295		50,745,927
Pledges net										963,601					963,601
Other receivables		115			115	6,857,342	31,934	26,281	6,915,557			19,329	84,799		7,019,800
Supplies						6,518,666	164,303	103,113	6,786,082						6,786,082
Prepaid expenses and other assets	319,921	17,471	13,744		351,136	2,680,518	34,449	213,769	2,928,736	61,306	335,959	25,280	20,391		3,722,808
Current portion of assets limited as to use						3,922,735			3,922,735			1,614	371,428		4,297,777
Total current assets	319,921	39,546	85,645		445,112	72,506,376	2,260,499	1,601,694	76,370,569	1,680,324	2,856,552	354,577	940,951		82,648,085
Pledges receivable - net of current portion										182,023					182,023
Receivable from related parties		495,892		(17,003)	478,889	3,728,064	1,146,831	442,354	5,317,249	527,433	755,930			(7,079,502)	
Investments						138,221,973			138,221,973	563,779					138,785,752
Assets limited as to use															
Under indenture agreements, less current portion						10,249,962			10,249,962				1,541,451		11,791,413
Property, plant, and equipment, net	10,206	38	8,664,332		8,674,576	156,630,274	988,621	922,850	158,541,745	18,612	4,165,667	4,679,803	8,891,762	(1,206,000)	183,766,165
Other assets															
Deferred costs - net of amortization			13,115		13,115	2,550,101			2,550,101			422,857	435,182		3,421,255
Investment in subsidiaries	2,673,460			(2,673,460)											
Beneficial interest in the assets of the Foundation						1,501,075	164,456	84,511	1,750,042			22,231	43,509	(1,815,782)	
Other						5,844,745	127,738	105,124	6,077,607		30,983	252,317	158,845		6,519,752
	2,673,460		13,115	(2,673,460)	13,115	9,895,921	292,194	189,635	10,377,750		30,983	697,405	637,536	(1,815,782)	9,941,007
Total assets	\$ 3,003,587	\$ 535,476	\$ 8,763,092	\$ (2,690,464)	\$ 9,611,692	\$ 391,232,570	\$ 4,688,145	\$ 3,158,533	\$ 399,079,248	\$ 2,972,171	\$ 7,809,112	\$ 5,731,785	\$ 12,011,700	\$ (10,101,284)	\$ 427,114,445

St Joseph Services Corporation
(dba St Joseph Health System and Subsidiaries)
Consolidating Balance Sheet (continued)

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Brazos Valley, Inc	Tau Enterprises, Inc	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Subsidiaries	St. Joseph Regional Center of Health Bryan, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospitals' Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Physician Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Liabilities and net assets															
Current liabilities															
Accounts payable and accrued expenses	\$ 298,959	\$ 37,495	\$ 140,631	\$ -	\$ 477,087	\$ 16,884,751	\$ 172,736	\$ 120,149	\$ 17,177,616	\$ 136	\$ 491,428	\$ 29,706	\$ 120,887	\$ -	\$ 18,296,880
Payroll and related accruals	359,870	-	-	-	359,870	9,094,017	260,324	223,797	9,578,118	-	34,174	131,874	116,748	-	10,220,804
Accrued interest	-	-	-	-	-	3,272,085	-	-	3,272,085	-	-	40,750	373,428	-	3,686,263
Payable to Health Insurance Programs	-	-	-	-	-	5,681,620	1,790,846	723,094	8,195,560	-	-	(1,183)	-	-	8,194,377
Current maturities of long-term debt	-	-	442,902	-	442,902	573,400	-	-	573,400	-	-	305,000	-	-	1,321,302
Total current liabilities	658,829	37,495	583,535	-	1,279,859	35,505,873	2,223,906	1,067,040	38,796,819	136	525,602	506,147	611,063	-	41,719,626
Payable to related party	420,315	-	3,273,714	(17,003)	3,777,026	-	-	-	-	-	-	1,502,285	1,800,190	(7,079,502)	-
Long-term debt, less current portion	-	-	2,436,346	-	2,436,346	119,584,934	-	-	119,584,934	-	-	7,140,000	13,724,760	-	142,886,040
Other long-term liabilities	-	-	194,018	-	194,018	15,995,603	387,792	105,124	16,488,519	-	-	422,597	4,382,464	-	21,487,598
Common stock															
Additional contributed capital	-	143	1,020	(1,163)	-	-	-	-	-	-	-	-	-	-	-
Retained earnings (deficit)	-	715,377	5,098,480	(5,813,857)	-	-	-	-	-	-	-	-	-	-	-
	-	(217,539)	(2,924,021)	3,141,560	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity (deficit)	497,981	2,175,479	(2,671,460)	-	-	-	-	-	-	-	-	-	-	-	-
Net assets															
Unrestricted	1,924,443	-	-	-	1,924,443	218,558,863	1,911,991	1,901,858	222,372,712	187,675	7,283,530	(3,861,475)	(8,550,286)	(1,206,000)	218,150,599
Board-designated endowments	-	-	-	-	-	-	-	-	-	215,585	-	-	-	-	215,585
Temporarily restricted	-	-	-	-	-	1,587,297	164,456	84,511	1,836,264	2,568,775	22,231	43,509	-	(1,815,782)	2,654,997
Total net assets	1,924,443	-	-	-	1,924,443	220,146,160	2,076,447	1,986,369	224,208,976	2,972,035	7,283,530	(3,839,244)	(8,506,777)	(3,021,782)	221,021,181
Total liabilities and net assets	\$ 3,003,587	\$ 535,476	\$ 8,763,092	\$ (2,690,464)	\$ 9,611,692	\$ 391,232,570	\$ 4,688,145	\$ 3,158,333	\$ 399,079,248	\$ 2,972,171	\$ 7,809,132	\$ 5,731,785	\$ 12,011,700	\$ (10,101,284)	\$ 427,114,443

St Joseph Services Corporation
(dba St Joseph Health System and Subsidiaries)

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2011

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Brazos Valley, Inc.	Tau Enterprises, Inc.	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Subsidiaries	St. Joseph Regional Health Center of Bryan, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospitals' Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Physician Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Unrestricted revenue gains, and other support															
Net patient service revenue (net of contractual allowances and discounts)	\$	\$	\$	\$	\$	\$ 303,555,281	\$ 14,121,575	\$ 10,245,611	\$ 327,924,467	\$	\$ 20,895,904	\$ 4,463,478	\$ 7,874,941	\$ 10,414	\$ 361,169,204
Provision for bad debts						32,779,823	4,052,864	1,897,252	38,729,939		827,734				39,557,673
Net patient service revenue less provision for bad debts						270,775,458	10,070,711	8,348,359	289,194,528		20,068,170	4,463,478	7,874,941	10,414	321,611,531
Other revenue	9,656,849	279,638	1,395,425	(12,879)	11,319,033	4,192,965	113,991	33,542	4,360,498	825,256	4,374,193	78,334	69,574	(15,396,462)	5,830,626
Total unrestricted revenue gains and other support	9,656,849	279,638	1,395,425	(12,879)	11,319,033	274,968,423	10,204,702	8,381,901	293,555,026	825,256	24,642,363	4,542,012	7,944,515	(15,386,048)	327,442,157
Expenses															
Salaries and wages	3,980,844	17,760	34,040		4,012,644	94,302,079	4,967,306	4,050,631	103,320,016	484,996	20,731,403	2,425,186	3,106,655		134,300,900
Employee benefits	548,382	2,223	9,839		560,444	26,687,693	1,348,206	1,097,823	29,133,722	94,038	2,112,511	689,654	944,094	(44,574)	11,489,889
Professional fees						14,263,229	841,619	918,731	16,033,579		154,865	14,860	14,400	(4,651,812)	11,555,892
Supplies and pharmaceuticals	134				134	45,643,692	744,418	549,605	46,917,713		1,222,699	417,120	468,769	(45,412)	49,001,025
Purchased services, utilities, and other	3,760,433	234,590	668,587		4,663,610	43,694,717	1,364,781	1,516,152	46,575,650	190,347	5,844,503	774,383	2,404,910	(604,016)	59,849,387
Provision for bad debts										21,471			13,005		151,896
Depreciation and amortization		66	469,559		469,625	16,032,825	181,337	113,903	16,328,065	2,312	675,211	217,188	379,855	(17,251)	18,015,005
Interest			132,142		132,142	6,693,892			6,693,892			127,642	783,827	(13,178)	7,724,325
Assessment	1,829,392	2,947	9,931	(12,879)	1,829,391	8,824,314	200,084	162,056	9,186,454	14,965	273,772	70,244	98,536	(9,641,970)	1,829,392
Fundraising and grants										608,055				(396,260)	211,795
Total operating expenses	10,119,185	257,586	1,324,098	(12,879)	11,687,990	256,142,441	9,647,751	8,408,901	274,199,093	1,416,184	31,014,964	4,749,282	8,518,466	(15,436,473)	316,149,506
Income (loss) from operations	(462,336)	22,052	71,327		(468,957)	18,825,982	556,951	(27,000)	19,355,933	(590,928)	(6,372,601)	(207,270)	(573,951)	50,425	11,292,651
Nonoperating gains (losses)															
Investment income (loss)						(2,149,152)			(2,149,152)	(1,000)			250,735	(13,174)	(1,912,591)
Gain (Loss) under interest rate swap agreements						1,312,297			1,312,297			(515,613)	(245,068)		551,616
Unrestricted contributions							800		800						800
Gain (Loss) on disposal of assets			(64)	2	(62)	93,236			93,236		(6,801)		498		86,871
Equity in loss of subsidiaries	93,317			(93,317)											
Total nonoperating gains (losses) net	93,317		(64)	(93,315)	(62)	(743,619)	800		(742,819)	(1,000)	(6,801)	(515,613)	6,165	(13,174)	(1,273,304)
Revenue in excess (deficit) of expenses	\$ (369,019)	\$ 22,052	\$ 71,263	\$ (93,315)	\$ (369,019)	\$ 18,082,363	\$ 557,751	\$ (27,000)	\$ 18,613,114	\$ (591,928)	\$ (6,379,402)	\$ (722,883)	\$ (567,786)	\$ 37,251	\$ 10,019,347

St. Joseph Services Corporation
(dba St. Joseph Health System and Subsidiaries)

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

	St. Joseph Services Corporation (dba St. Joseph Health System)	Alliance Health Providers of Bronson Valley, Inc.	Tau Enterprises, Inc.	Consolidation and Eliminations	St. Joseph Services Corporation (dba St. Joseph Health System) and For-Profit Subsidiaries	St. Joseph Regional Health Center of Bryan, Texas	Madison St. Joseph Health Center	Burleson St. Joseph Health Center	Hospitals' Subtotal	St. Joseph Foundation of Bryan, Texas	St. Joseph Physician Associates	Burleson St. Joseph Manor	St. Joseph Manor	Consolidation and Eliminations	Consolidated St. Joseph Services Corporation (dba St. Joseph Health System)
Other changes in unrestricted net assets															
Net assets released from restrictions for property and equipment	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Grant proceeds received and used in the current year for purchase of property and equipment						255,968	54,750	38,315	349,033					44,082	393,115
Equity transfers to affiliates					(10,850,000)		50,000		50,000	650,000	9,000,000	600,000	600,000		50,000
Increase (decrease) in unrestricted net assets	(369,019)	22,052	71,263	(93,315)	(369,019)	7,488,331	662,301	11,315	8,162,147	58,072	2,620,598	(122,883)	76,296	37,251	10,462,462
Temporarily restricted															
Restricted contributions and grant proceeds										1,201,697					1,201,697
Beneficial interest in assets of the Foundation						539,176	62,731	8,600	610,507			3,747	(17,792)	(576,463)	
Net assets released from restrictions										(659,738)					(659,738)
Restricted investment income										8,601					8,601
Increase (decrease) in temporarily restricted net assets						539,176	62,731	8,600	610,507	550,560		3,747	(37,792)	(576,463)	550,560
Increase (decrease) in net assets	(369,019)	22,052	71,263	(93,315)	(369,019)	8,027,507	725,232	19,915	8,772,654	608,632	2,620,598	(119,136)	38,504	(539,212)	11,013,022
Cumulative effect of a change in accounting principle															
Change in net assets	(369,019)	22,052	71,263	(93,315)	(369,019)	8,027,507	725,232	19,915	8,772,654	608,632	2,620,598	(119,136)	38,504	(539,212)	11,013,022
Net assets beginning of year	2,293,462				2,293,462	212,118,653	1,351,215	1,966,454	215,436,322	2,361,403	4,662,932	(3,720,108)	(8,545,282)	(2,482,570)	210,008,159
Net assets end of year	\$ 1,924,443	\$ 22,052	\$ 71,263	\$ (93,315)	\$ 1,924,443	\$ 220,146,160	\$ 2,076,447	\$ 1,986,369	\$ 224,208,976	\$ 2,972,035	\$ 7,283,530	\$ (3,839,244)	\$ (8,506,778)	\$ (3,021,782)	\$ 221,021,181

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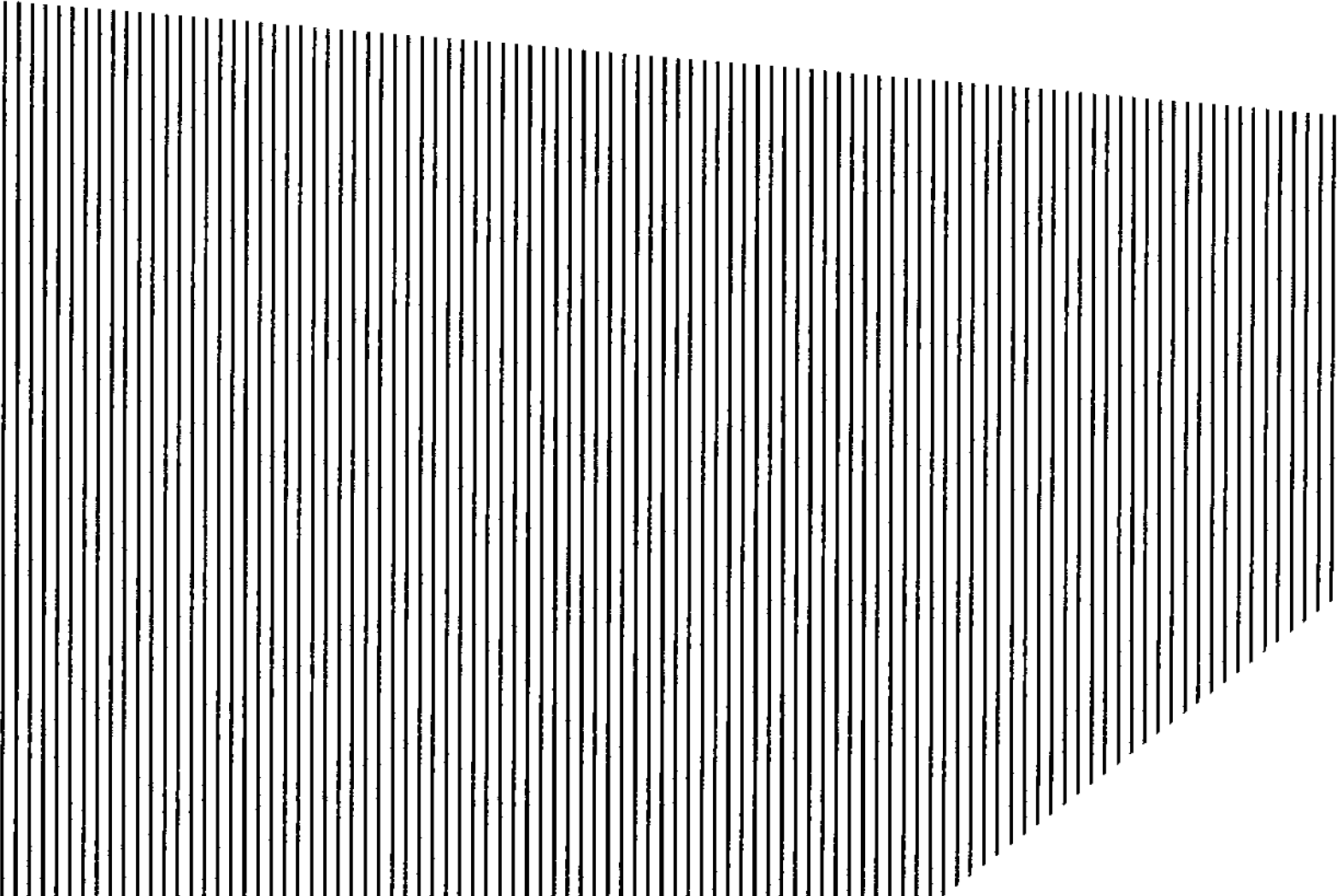
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COMBINED FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTARY INFORMATION

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio
Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

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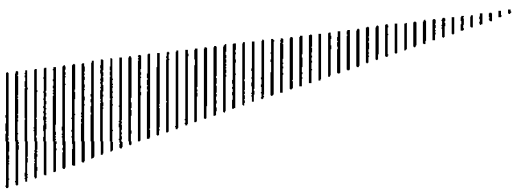
Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Financial Statements and
Other Supplementary Information

Years Ended December 31, 2012 and 2011

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Report of Independent Auditors

The Board of Trustees
Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

We have audited the accompanying combined financial statements of Sylvania Franciscan Health and Subsidiaries (the Corporation), which comprise the combined statements of financial position as of December 31, 2012 and 2011, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

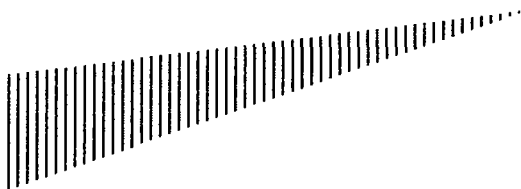
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Sylvania Franciscan Health and Subsidiaries at December 31, 2012 and 2011, and the combined results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

May 17, 2013

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Financial Position

	December 31	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,464,001	\$ 31,764,478
Investments	144,062	5,135,646
Current portion of trustee-held funds	5,777,015	5,161,294
Accounts and notes receivable:		
Patients and residents	128,246,635	126,311,963
Less allowances for doubtful accounts	42,701,911	44,822,650
	85,544,724	81,489,313
Other receivables	5,992,856	5,727,497
	91,537,580	87,216,810
Due from affiliate	811,346	954,816
Inventories	10,893,816	10,376,122
Prepaid expenses and other	5,288,322	6,657,167
Total current assets	150,916,142	147,266,333
Assets whose use is limited:		
Board-designated and restricted funds	81,204,180	72,367,186
Trustee-held funds, less current portion	56,151,002	28,014,950
Self-Insurance Program	18,303,190	40,273,598
Foundation investments	37,943,310	13,452,791
Other investments	1,476,283	1,391,577
	195,077,965	155,500,102
Net property and equipment	379,516,002	361,497,871
Other assets:		
Financing costs, net of amortization	5,672,058	5,994,009
Notes and other receivables	3,979,736	23,709,703
Goodwill	3,873,161	2,573,161
Certificate of need, net of amortization	3,451,995	3,101,994
Long-term investments	217,171,484	178,909,139
Other	1,071,287	1,545,840
	235,219,721	215,833,846
Total assets	\$ 960,729,830	\$ 880,098,152

	December 31	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses:		
Accounts payable	\$ 44,611,629	\$ 35,727,743
Compensation, fees, and amounts withheld from compensation	17,600,179	19,377,129
Accrued interest	4,927,176	5,009,789
Due to affiliate	-	51,013
Other	1,380,730	1,985,000
	<u>68,519,714</u>	<u>62,150,674</u>
Deferred revenue	119,383	1,334,210
Settlements payable under third-party reimbursement contracts	10,879,065	10,394,019
Lines of credit	2,778,635	1,998,968
Current portion of reserve for insurance claims	2,205,135	2,020,901
Current portion of retirement and post-retirement obligation	245,421	235,038
Current portion of refundable and non-refundable entrance fees	1,302,265	1,250,411
Current portion of long-term debt and capital lease obligations	5,815,908	4,928,868
Total current liabilities	<u>91,865,526</u>	<u>84,313,089</u>
Long-term liabilities:		
Retirement plans	25,406,885	21,480,392
Post-retirement benefit obligation	1,088,548	1,078,011
Reserve for insurance claims	8,820,542	8,083,598
Derivative liability, net	14,048,674	14,025,621
Non-refundable and refundable entrance fees, less current portion	18,436,221	18,611,664
Long-term debt and capital lease obligations, less current portion	320,456,825	283,777,330
Other	2,337,738	2,850,967
Total liabilities	<u>482,460,959</u>	<u>434,220,672</u>
Net assets:		
Unrestricted	463,603,406	431,607,724
Temporarily restricted	10,465,778	10,084,962
Permanently restricted	4,199,687	4,184,794
Total net assets	<u>478,268,871</u>	<u>445,877,480</u>
Total liabilities and net assets	<u>\$ 960,729,830</u>	<u>\$ 880,098,152</u>

See accompanying notes.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Operations

	Year Ended December 31	
	2012	2011
Revenue, gains, and other support		
Net patient service revenue, net of contractual allowances and discounts	\$ 634,065,518	\$ 603,465,171
Provision for bad debts	46,922,880	53,981,535
Net patient service revenue less provision for bad debts	587,142,638	549,483,636
Other revenue	21,003,891	18,446,509
Rental revenue	9,264,796	9,782,537
Net assets released from restrictions	321,331	659,739
Total revenue, gains, and other support	617,732,656	578,372,421
Expenses		
Salaries and wages	258,357,724	244,446,329
Employee benefits	75,941,595	66,847,078
Purchased services, utilities, and other	112,399,595	102,995,287
Supplies and pharmaceuticals	98,155,211	92,612,686
Provision for bad debts	271,348	560,186
Depreciation and amortization	35,265,594	32,116,703
Professional fees	20,794,934	18,487,686
Interest	13,341,586	11,393,120
Total expenses	614,527,587	569,459,075
Operating income	3,205,069	8,913,346
Nonoperating gains (losses)		
Investment income	20,958,882	8,922,314
Net unrealized gains (losses) on investments	8,078,703	(7,295,150)
Contributions	1,759,658	1,500,084
Fundraising expenses	(1,342,357)	(1,806,958)
Gains under interest rate swap agreements	2,074,264	1,880,645
(Losses) gains on disposal of assets	(95,438)	2,475,385
Gain from insurance proceeds	613,572	2,217,521
Other	(520,431)	-
Excess of fair value of net assets acquired over consideration paid in acquisition of Trinity Hospital Twin City	-	9,786,997
Nonoperating gains, net	31,526,853	17,680,838
Excess of revenue over expenses	\$ 34,731,922	\$ 26,594,184

See accompanying notes.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Changes in Net Assets

	Year Ended December 31	
	2012	2011
Unrestricted net assets		
Excess of revenue over expenses	\$ 34,731,922	\$ 26,594,184
Other changes:		
Change in pension liability	(3,801,639)	(6,944,098)
Net assets released from restriction	1,065,399	898,151
Increase in unrestricted net assets	31,995,682	20,548,237
Temporarily restricted net assets		
Contributions	1,388,945	1,717,202
Investment income	198,059	46,183
Net unrealized gains (losses) on investments	265,630	(361,927)
Net assets released from restrictions	(1,471,818)	(1,725,012)
Increase (decrease) in temporarily restricted net assets	380,816	(323,554)
Permanently restricted net assets		
Investment income	(1,424)	157
Net unrealized losses on investments	366	(394)
Donations and other, net	15,951	(21,667)
Increase (decrease) in permanently restricted net assets	14,893	(21,904)
Increase in net assets	32,391,391	20,202,779
Net assets at beginning of year	445,877,480	425,674,701
Net assets at end of year	\$ 478,268,871	\$ 445,877,480

See accompanying notes

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Cash Flows

	Year Ended December 31	
	2012	2011
Operating activities and nonoperating (losses) gains		
Increase in net assets	\$ 32,391,391	\$ 20,202,779
Adjustments to reconcile increase in net assets to net cash provided by operating activities and nonoperating (losses) gains:		
Gain on acquisition of Trinity Hospital Twin City	–	(10,131,893)
Write off of financing costs	238,109	–
Amortization of entrance fees	(1,319,962)	(1,257,006)
Change in fair value of interest rate swaps	(196,069)	(360,673)
Change in unrealized (gains) losses on investments	(8,344,699)	7,288,471
Provision for bad debts	47,194,228	54,541,721
Restricted contributions and investment income received	(1,424,019)	(1,720,536)
Depreciation and amortization	35,265,594	32,246,948
Losses (gains) on disposal of assets	95,438	(2,475,385)
Gain from insurance proceeds	(613,572)	(2,217,521)
Changes in operating assets and liabilities:		
Decrease in restricted cash	–	1,770,237
Increase in patients and residents accounts receivable	(51,249,639)	(61,080,007)
Decrease (increase) in inventories and other current assets	769,307	(4,399,119)
Decrease (increase) in other assets	693,675	(9,559,504)
Increase in investments	(28,207,713)	(17,703,584)
Increase in accounts payable and other current liabilities	6,328,995	8,785,820
Increase in net settlements from third party	485,046	4,809,343
Increase in reserve for insurance claims	921,178	3,123,542
Increase in other liabilities	7,084,343	17,480,490
Net cash provided by operating activities and nonoperating (losses) gains	40,111,631	39,344,123

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combined Statements of Cash Flows (continued)

	Year Ended December 31	
	2012	2011
Investing activities		
Payments received on notes receivable	\$ 19,729,967	\$ 613,814
Purchases of property and equipment	(52,807,826)	(50,920,994)
Purchases of certificate of needs	(433,316)	(58,580)
(Increase) decrease in assets whose use is limited	(36,911,933)	20,392,198
Acquisition of Trinity Hospital Twin City, net of cash received	-	(4,925,251)
Acquisition of physician practice	(1,300,000)	(1,500,000)
Proceeds from insurance claim	613,572	2,217,521
Proceeds from sale of assets	-	4,629,002
Net cash used in investing activities	(71,109,536)	(29,552,290)
Financing activities		
Payments on capital leases	(582,692)	(261,339)
Entrance obligation remitted	(3,354,442)	(2,605,328)
Repayments of long-term debt	(11,444,944)	(10,177,200)
Proceeds from issuance of long term debt	49,280,000	6,000,000
Net proceeds from line of credit	779,667	1,528,000
Restricted contributions and investment income received	1,424,019	1,720,536
Financing costs paid	(404,180)	(127,873)
Net cash provided by (used in) financing activities	35,697,428	(3,923,204)
Increase in cash and cash equivalents	4,699,523	5,868,629
Cash and cash equivalents at beginning of year	31,764,478	25,895,849
Cash and cash equivalents at end of year	\$ 36,464,001	\$ 31,764,478
Non-cash activity		
The Corporation acquired \$0 and \$1,374,695 of equipment capital leases in 2012 and 2011, respectively.	\$ -	\$ 1,374,695

See accompanying notes.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements

December 31, 2012

1. Basis of Presentation

Sylvania Franciscan Health (the Combined Group or Corporation) is the formal expression of the sponsored health and human services ministry of the Sisters of St. Francis of Sylvania, Ohio (the Sisters). Among the member organizations in Ohio, Kentucky, and Texas are six hospitals, seven long-term care facilities, four assisted-living facilities, independent senior housing, a counseling center, domestic violence shelter, and other supporting organizations.

The Combined Group includes the accounts of the following:

- Sylvania Franciscan Health (corporate office; Franciscan Services Self-Insurance Program, which was dissolved in November 2012; SFH Assurance, LTD.; and SFH Foundation)
- Franciscan Shelters (d.b.a. Bethany House)
- Sophia Center
- Franciscan Living Communities (corporate office; Providence Care Centers and Subsidiaries, which include Providence Care Centers, The Commons of Providence, Providence Residential Community, and The Providence Care Centers; Franciscan Care Center; Rosary Care Center; St. Leonard and Subsidiaries, which includes St. Leonard, Joseph Bernadine Residence, LLC. and St. Leonard Foundation; Franciscan Properties; Madonna Manor, Inc.; and St. Clare Commons). Effective April 1, 2012, Rosary Care Center was no longer a wholly owned subsidiary of Franciscan Living Communities, and instead became a member of the Corporation.
- St. Joseph Services Corporation d.b.a. St. Joseph Health System and Subsidiaries (St. Joseph Regional Health Center of Bryan, Texas; St. Joseph Foundation of Bryan, Texas; Burleson St. Joseph Health Center; Madison St. Joseph Health Center; Alliance Health Providers of Brazos Valley, Inc.; St. Joseph Physician Network; St. Joseph Physician Associates, Tau Enterprises, Inc. (dissolved effective September 30, 2012); St. Joseph Manor; and Burleson St. Joseph Manor). On March 1, 2013, St. Joseph Services Corporation began transitioning the operations of Bellville General Hospital to itself and will be renaming it Bellville St. Joseph Health Center. The facility and land will continue to be leased from the Bellville Hospital District. In 2012, Belville General Hospital generated approximately \$9.5 million in net revenue and had minimal net assets based on unaudited information.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

1. Basis of Presentation (continued)

- Trinity Health System Corporation and Subsidiaries (Trinity Hospital Holding Company, including Trinity East and Trinity West; Trinity Health Foundation; and its wholly owned for-profit subsidiary Trinity Management Services Organization, Inc.).
- The Corporation established Trinity Hospital Twin City and on May 9, 2011, it acquired substantially all of the assets of Trinity Twin City, a critical access hospital located in Dennison, Ohio, which had previously been in bankruptcy. This acquisition enabled the Corporation to expand their healthcare services in eastern Ohio. This 2011 acquisition resulted in a gain of approximately \$10.1 million based on the excess of net assets acquired of \$15.1 million over the acquisition price paid of \$5.0 million and was included in excess of revenue over expenses. This gain was reduced by transactions costs of \$345,000 paid by the corporate office in 2011. All activity since the date of acquisition has been included in the combined financial statements.

All of the assets, liabilities, revenues, expenses, nonoperating gains and losses, and other changes in net assets of Trinity Health System are reflected in the combined statement of financial position. The Corporation maintains a 50% ownership interest in Trinity Health System.

Significant intercompany balances and transactions between these entities have been eliminated in combination.

2. Significant Accounting Policies

The accounting principles followed by the Combined Group and the methods of applying those principles that materially affect the determination and reporting of combined financial position, results of operations, and cash flows are summarized below.

Operating Activity

The Combined Group's primary mission is to provide health care services through its acute care, specialty care facilities, and other organizations. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Other activities that result in gains and losses unrelated to the Combined Group's primary mission are considered to be nonoperating. Nonoperating gains and losses include investment income, net realized and unrealized gains and losses on sale of investments other than trustee-held investments related to borrowed funds, unrestricted contributions, fundraising expenses, change in the fair value of interest rate swaps, gains and losses from insurance proceeds, gains and losses from acquisitions, gains and losses on disposals of property and equipment, and other extraordinary items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Adjustments to estimates are recorded, as appropriate, in the periods in which they are determined.

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and liquid investments with a maturity of three months or less. Assets whose use is limited by board designation or other arrangements under trust agreements are excluded from cash and cash equivalents in the statement of cash flows.

Investments

Investments are carried at fair value and accounted for as trading securities. Investment income, including realized gains and losses and unrealized gains and losses, is included in excess of revenues over expenses unless restricted by the donor in connection with a gift. In December 2012, the Corporation established a master investment pool (Master Investment Pool) in which certain affiliated organizations participate. The accompanying combined financial statements reflect the total net assets and transactions of the Master Investment Pool. At December 31, 2012 and 2011, certain investments totaling \$1,380,757, are carried at cost, adjusted for impairment deemed to be other than temporary, and are included in long-term investments. Management deemed it not practical to estimate the fair value of these investments.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Patient Accounts Receivable and Net Patient Service Revenue

Patient accounts receivable consist of amounts due from third-party payors, including federal and state indemnity and managed care programs, managed care health plans and commercial insurance companies, and individual patients for health care services rendered. The Corporation does not require collateral or other security on its patient receivables. Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Corporation analyzes its historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon specific accounts, historical write-off experience, and current market conditions. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible receivables.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make realization of amounts due unlikely. For receivables associated with self-pay residents, which includes both residents without insurance and residents with deductibles and copayment balances due for which third-party coverage exists for part of the bill, the Corporation records a provision for bad debts on the basis of its past experience. The difference between the standard rates and the amount actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts decreased from 35 percent of accounts receivable at December 31, 2011, to 33 percent of accounts receivable at December 31, 2012. In addition, the Corporation's self-pay write-offs decreased approximately \$6 million from \$51 million in fiscal year 2011 to \$45 million in fiscal year 2012. This decrease was mainly the result of a shift from bad debt to charity as well as Trinity Health System Corporation and Subsidiaries change in their uninsured discount policy for self-pay patients in fiscal year 2012.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

The Corporation does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

The provision for bad debts is included with net patient service revenue for the Corporation's acute care facilities as they do not assess the patient's ability to pay prior to providing the service, while the long-term care facilities' provision for bad debts is presented as an operating expense as they do assess the residents' ability to pay prior to providing the services and therefore the subsidiaries presentation is retained in the combined financial statements.

The reimbursement of certain inpatient services under the Medicare and Medicaid programs is subject to final determination by the respective agencies. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Provision is made currently in the combined financial statements for estimated settlements under third-party reimbursement contracts and adjusted in future periods as final settlements are determined. These provisions and settlements are included in net patient service revenue. Management is of the opinion that adequate provision has been made for unsettled cost reports and for any adjustments that may result from settlements. Prior-year settlements increased the excess of revenues over expenses by approximately \$7,373,200 in 2012 and \$4,698,900 in 2011.

For uninsured residents that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided, or on the basis of discounted rates if negotiated. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Patient service revenue, net of contractual allowances and discounts, recognized as of December 31, 2012 and 2011, from these major payor sources, are approximate vales of the following:

2012	Medicare	Medicaid	Commercial	Self-Pay	Other	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$243,000,000	\$ 52,000,000	\$155,000,000	\$113,000,000	\$ 71,000,000	\$634,000,000
2011						
Patient service revenue (net of contractual allowances and discounts)	\$ 232,000,000	\$ 60,000,000	\$136,000,000	\$102,000,000	\$73,000,000	\$603,000,000

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Combined Group believes that it is in compliance with all applicable laws and regulations. Noncompliance with such laws and regulation can be subject to regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care

The members of the Corporation accept all patients regardless of their ability to pay. A patient is determined to be a charity patient by reference to certain established policies of the hospitals. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the members utilize generally recognized poverty income levels, but also include certain cases where incurred charges are significant when compared to income. Charity care is reported as an adjustment to revenue in the statements of operations.

Contributions and Pledges

Contributions and pledges are recorded at fair value. Contributions not restricted by donors are included in unrestricted net assets. Contributions that are received with donor stipulations that limit the use of the donated asset are recorded as temporarily restricted net 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. Allowances for uncollectible pledges are provided for as deemed necessary.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Inventories

Inventories of supplies are stated at the lower of cost, using the first-in, first-out method, or market.

Assets Whose Use is Limited

Certain funds are board-designated for acquisition of property and equipment. Trustee-held funds are for the retirement of revenue bonds and to fund construction programs. The funds for the Self-Insurance Program, as defined in Note 6, are for current and future malpractice claims. Accordingly, these assets have been classified as noncurrent, except for amounts held for current payments on revenue bonds and payments for capital-related expenditures. Foundation investments are used to fund special projects and support the Corporation's activities.

Financing Costs

Financing costs are primarily amortized over the period the obligations are outstanding.

Certificates of Need

The certificates of need relate to Franciscan Living Communities and Rosary Care Center and are recorded at cost. Amortization is based on the straight-line method over the estimated useful life.

Goodwill

Goodwill is the excess of the acquisition cost of a business over the fair value of the identifiable net assets acquired. Goodwill is subject to annual impairment assessments.

Impairment of Long-Lived Assets

When events, circumstances, or operating results indicate that the carrying value of certain long-lived assets that are expected to be held and used might be impaired, the Combined Group prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair value may be estimated based upon internal evaluations of each market that include quantitative analyses of revenues and cash flows, review of recent sales of similar facilities, and independent appraisals.

Property and Equipment

Property and equipment are carried at cost or fair value at date of gift. Expenditures for renewals or betterments are capitalized and expenditures for maintenance and repairs are charged to expense. Depreciation of property and equipment and amortization of assets acquired under capital leases are provided by the straight-line method at rates based on the estimated lives or the terms of the leases. Amortization of assets under capital leases is included with depreciation expense. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Entrance Fees

Residents of Providence Residential Community and St. Leonard may pay an entrance fee prior to occupancy. The residency agreements provide that 90% or 50% of entrance fees for Providence Residential Community and 100% or 75% of entrance fees for St. Leonard are refunded after the departure of a resident. Refunds are paid to the former resident within 90 days of departure for Providence Residential Community and once the unit has been reoccupied for St. Leonard. The refundable portion of the St. Leonard entrance fee is amortized on the straight-line method over the expected life of the respective facilities. The nonrefundable portion of entrance fees (10% or 50% for Providence and 25% for St. Leonard) and rental fees paid in advance are deferred and amortized into revenue using the straight-line method over the estimated lives of the residents.

Net Assets

Unrestricted net assets generally result from revenues derived from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Temporarily restricted net assets are those whose use 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 assets were released from temporary restriction from continuing operations by incurring expenses and purchasing assets to satisfy the restrictions in the amounts of \$1,471,818 and \$1,725,012 during the years ended December 31, 2012 and 2011, respectively.

Derivatives

The Corporation uses derivatives to modify the interest rates and manage risks associated with its outstanding debt. The Corporation recognizes all derivatives on the combined statements of financial position at fair value and changes in fair value are recorded through income in excess of revenue over expenses.

Income Taxes

The Combined Group is comprised mostly of nonprofit organizations affiliated with the Sisters. Each nonprofit member of the Combined Group has been granted an exemption from federal income taxes under Section 501(c)(3) or Section 501(a) of the Internal Revenue Code. Alliance Health Providers of Brazos Valley, Inc. is a for-profit corporation and files a federal income tax return on a separate-entity basis. There are no material unrecorded tax liabilities at December 31, 2012 or 2011.

Electronic Health Record Incentive Payments

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

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

The Corporation accounts for HITECH incentive payments under a grant accounting model. Income from Medicare incentive payments is recognized as revenue after the Corporation has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and there is reasonable assurance the grants will be received. The Corporation recognized revenue from Medicaid incentive payments after it has demonstrated compliance with the meaningful use criteria. Incentive payments totaling approximately \$6,325,000 for the year ended December 31, 2012, are included in total other operating revenue in the accompanying combined statement of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Corporation's compliance with the meaningful use criteria is subject to audit by the federal government.

Adoption of New Accounting Standard

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in the ASU clarify the FASB's intent regarding the application of existing fair value measurement requirements and change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The pronouncement was effective for annual periods beginning after December 15, 2011, and therefore, was adopted effective January 1, 2012. The adoption of ASU 2011-04 has been reflected in the footnote disclosures included in the combined financial statements.

In July 2012, the FASB issued ASU 2012-01, *Health Care Entities, Continuing Care Retirement Communities-Refundable Advance Fees*. The ASU clarifies that a continuing care retirement community should classify a refundable advance fee as deferred revenue only when its resident contract provides for repayment of the fee upon re-occupancy, and repayment is limited to the proceeds it receives from the new occupant; otherwise, the advance fee is classified as a liability. The pronouncement is effective for fiscal periods beginning after December 15, 2012. The ASU is not expected to have a material impact on the combined financial statements.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

In July 2012, the FASB issued ASU 2012-02, *Intangibles-Goodwill and Other, Testing Indefinite-Lived Intangible Assets for Impairment*. The ASU adds an optional qualitative assessment for determining whether an indefinite-lived intangible asset is impaired. If it is determined that it is more likely than not that the fair value of such an asset exceeds its carrying amount, it would not need to calculate the fair value of the asset in that year. If it is concluded otherwise, then the fair value of the asset must be calculated and compared to the carrying value. The pronouncement is effective for fiscal periods beginning after September 15, 2012; however, as early adoption is permitted, this was adopted effective January 1, 2012, and did not have an impact on the amounts reported in the combined financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The ASU provided source literature amendments, guidance clarifications, reference corrections, and relocated guidance. The amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2013. The ASU is not expected to have a material impact on the combined financial statements.

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows, Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments require cash receipts from the sale of donated financial assets that had no restrictions and were immediately converted to cash to be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. The pronouncement is effective for fiscal years beginning after June 15, 2013. The ASU is not expected to have a material impact on the combined financial statements.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Subsequent Events

The Combined Group evaluates subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended December 31, 2012, the Combined Group evaluated the impact of subsequent events through May 17, 2013, representing the date on which the financial statements were available to be issued. No recognized subsequent events were identified for recognition or disclosure in the combined statements of financial position or the accompanying notes to the combined financial statements. A non-recognized subsequent event was identified for disclosure in Note 1 in the accompanying notes to the combined financial statements.

Reclassification

Certain amounts in 2011 have been reclassified to conform to the 2012 presentation.

Immaterial Error Correction

The 2011 unrestricted and temporarily restricted components of net assets have been corrected to reflect the appropriate classification of certain contributions received from 2008 through 2011, which were initially recorded as unrestricted and should have been designated as temporarily restricted. Total net assets are unchanged in 2011.

3. Charity Care

The members of the Combined Group maintain records to identify and monitor the level of charity care they provide. These records include the amount of costs for services and supplies furnished under their charity care policy and equivalent service statistics. The costs of providing care is estimated using the Combined Group's internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association and the Internal Revenue Service. The amount of traditional charity care provided, determined on the basis of cost, was approximately \$23,159,000 and \$19,176,000 for the years ended December 31, 2012 and 2011, respectively.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value

Assets whose use is limited are recorded at fair value and consist of the following:

	December 31	
	2012	2011
Board-designated funds	\$ 81,204,180	\$ 72,367,186
Trustee-held funds, including current portion of \$5,777,015 and \$5,161,294 for 2012 and 2011, respectively	61,928,017	33,176,244
Self Insurance Program	18,303,190	40,273,598
Foundation investments	37,943,310	13,452,791
Other investments	1,476,283	1,391,577
Total	200,854,980	160,661,396
Less amounts in current assets	5,777,015	5,161,294
Total assets whose use is limited	\$ 195,077,965	\$155,500,102
Cash and cash equivalents	\$ 24,659,818	\$ 19,860,299
U.S. government securities	34,110,946	30,910,243
Corporate bonds	32,726,884	16,000,965
Mutual funds	80,541,824	60,886,424
Equities	27,992,063	31,802,202
Other	823,445	1,201,263
Total	\$ 200,854,980	\$ 160,661,396

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

Long-term investments consist of the following:

	December 31	
	2012	2011
Cash and cash equivalents	\$ 20,658,451	\$ 10,621,493
U.S. government securities	1,524,025	6,580,518
Corporate bonds	5,884,238	7,361,177
Mutual funds	138,902,144	125,063,414
Equities	48,862,857	32,830,525
Other	1,483,831	1,587,658
Total investments	<u>217,315,546</u>	<u>184,044,785</u>
Less amounts in current assets	144,062	5,135,646
Total long-term investments	<u>\$ 217,171,484</u>	<u>\$ 178,909,139</u>

The following schedule summarizes the investment return and its classification in the combined statements of operations and changes in unrestricted net assets from continuing operations:

	Year Ended December 31	
	2012	2011
Income:		
Interest and dividends	\$ 7,820,354	\$ 5,247,635
Net realized gains	13,829,376	3,750,910
Net unrealized gains (losses)	8,344,699	(7,288,471)
Total investment return	<u>\$ 29,994,429</u>	<u>\$ 1,710,074</u>
Interest income included in operations	\$ 494,213	\$ 398,891
Nonoperating investment income, realized and unrealized gains	<u>29,500,216</u>	<u>1,311,183</u>
Total investment return	<u>\$ 29,994,429</u>	<u>\$ 1,710,074</u>

The Combined Group designates investment return on trustee-held funds related to borrowed funds for support of current operations. The remainder is classified as nonoperating.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

Accounting Standards Codification 820, *Fair Value Measurement*, includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that is either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

As of December 31, 2012 and 2011, the assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

U.S. government securities – The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

Corporate bonds – The fair value of investments in U.S. and international corporate bonds are primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security-specific characteristics, such as redemption options.

Equities – The fair value of investments in U.S. and international equity securities is based on the closing price reported on the active market on which the individual securities are traded.

Mutual funds – The fair value of mutual funds are primarily determined using the calculated net asset value. The values of the underlying investments are fair value estimates determined by external fund managers.

Certificates of deposit – The fair value of certificates of deposit is primarily based on cost plus accrued interest.

Derivatives – The fair value of the Corporation's derivatives are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

The following tables represent the Combined Group's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, and December 31, 2011, and the basis for that measurement:

	Fair Value Measurement at December 31, 2012 Using:			
	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets whose use is limited				
Cash and cash equivalents	\$ 24,659,818	\$ 24,659,818	\$ -	\$ -
U.S. government securities	34,110,946	-	34,110,946	-
Fixed income:				
International	1,419	-	1,419	-
Domestic	32,725,465	-	32,725,465	-
Mutual funds				
International	8,867,130	8,867,130	-	-
Domestic	71,674,694	71,674,694	-	-
Equities:				
International	2,242,851	2,242,851	-	-
Domestic	25,749,212	25,749,212	-	-
Other	823,445	313,916	82,423	427,106
	<u>200,854,980</u>	<u>133,507,621</u>	<u>66,920,253</u>	<u>427,106</u>
Other long-term investments:				
Cash and cash equivalents	20,658,451	20,658,451	-	-
U.S. government securities	1,524,025	-	1,524,025	-
Fixed income:				
Domestic	5,884,238	-	5,884,238	-
International				
Mutual funds:				
International	58,681	58,681	-	-
Domestic	138,843,463	138,843,463	-	-
Equities:				
International	9,935,887	9,935,887	-	-
Domestic	38,926,970	38,926,970	-	-
Certificate of deposits	103,074	-	103,074	-
	<u>215,934,789</u>	<u>208,423,452</u>	<u>7,511,337</u>	<u>-</u>
Total investments	<u>\$ 416,789,769</u>	<u>\$ 341,931,073</u>	<u>\$ 74,431,590</u>	<u>\$ 427,106</u>
Other assets:				
Derivative asset	\$ 378,955	\$ -	\$ 378,955	\$ -
Other long-term liabilities:				
Derivative obligation	\$ 14,048,674	\$ -	\$ 14,048,674	\$ -

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

	Fair Value Measurement at December 31, 2011 Using:			
	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets whose use is limited.				
Cash and cash equivalents	\$ 19,860,299	\$ 19,860,299	\$ —	\$ —
U.S. government securities	30,910,243	—	30,910,243	—
Corporate bonds				
International	337,051		337,051	—
Domestic	15,663,914		15,663,914	—
Mutual funds:				
International	6,466,216	6,466,216	—	—
Domestic	54,420,208	54,420,208	—	—
Equities:				
International	836,629	836,629	—	—
Domestic	30,965,573	30,965,573	—	—
Other	1,201,263	358,213	552,612	290,438
	<u>160,661,396</u>	<u>112,907,138</u>	<u>47,463,820</u>	<u>290,438</u>
Other long-term investments:				
Cash and cash equivalents	10,621,493	10,621,493	—	—
U.S. government securities	6,580,518	—	6,580,518	—
Corporate bonds:				
Domestic	7,259,813	—	7,259,813	—
International	101,364		101,364	—
Mutual funds:				
International	1,204,377	1,204,377	—	—
Domestic	123,859,037	123,859,037	—	—
Equities:				
International	6,019,523	6,019,523	—	—
Domestic	26,811,002	26,811,002	—	—
Certificate of deposits	206,901	—	206,901	—
	<u>182,664,028</u>	<u>168,515,432</u>	<u>14,148,596</u>	<u>—</u>
Total investments	<u><u>\$ 343,325,424</u></u>	<u><u>\$ 281,422,570</u></u>	<u><u>\$ 61,612,416</u></u>	<u><u>\$ 290,438</u></u>
Other assets:				
Derivative asset	\$ 159,833	\$ —	\$ 159,833	\$ —
Other long-term liabilities:				
Derivative obligation	\$ (14,025,621)	\$ —	\$ (14,025,621)	\$ —

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

4. Assets and Liabilities Measured at Fair Value (continued)

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. Investments are recorded at fair value. The carrying value and fair value of the Combined Group's long-term debt, as estimated by discounted cash flow analyses using the current borrowing rate for similar types of borrowing arrangements and adjusted for credit, respectively, were \$326,273,000 and \$336,367,000, respectively, at December 31, 2012, and \$288,706,000 and \$288,417,000, December 31, 2011. Other financial instruments reported as noncurrent assets and liabilities have carrying values that approximate fair value.

5. Net Property and Equipment

Net property and equipment consist of the following:

	December 31	
	2012	2011
Land and land improvements	\$ 39,095,993	\$ 39,629,096
Buildings and fixed equipment	464,375,533	455,935,464
Major movable equipment	217,200,614	206,859,089
Construction in progress	27,220,580	23,360,986
	747,892,720	725,784,635
Less allowances for depreciation	(368,376,718)	(364,286,764)
Totals	\$ 379,516,002	\$ 361,497,871

The estimated cost to complete construction in progress projects was approximately \$37,700,000 and \$60,800,000 at December 31, 2012 and 2011, respectively.

6. Professional Liability Insurance

The Franciscan Services Self-Insurance Trust (the Self Insurance Program) was established by the Corporation to provide up to \$4 million of professional liability, malpractice, and comprehensive general liability insurance coverage on a group basis to the affiliated entities of the Combined Group. Effective April 1, 2012, SFH Assurance, LTD. was established and took over this function. The Self Insurance Program has a claims-made policy and provides for primary level funding. Each affiliated entity makes an annual contribution to the Self Insurance Program which is actuarially determined. The Corporation has also purchased excess coverage insurance.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

6. Professional Liability Insurance (continued)

Losses are paid from the Self Insurance Program for covered claims on behalf of each participant in any policy year, assuming the self-insurance limit is not exceeded. Also, if the Self Insurance Program contains insufficient amounts to pay the maximum that can be paid in any policy year, each participant will be assessed the amount of the shortfall based on its historical contributions to the Trust.

The Self Insurance Program accrues for estimated losses attributable to reported claims, the development of these known claims, incurred but not reported claims, and legal expenses for periods covered by the claims-made insurance using a discount rate of 3.12%. The Self Insurance Program accrued approximately \$11,026,000 and \$10,104,000 at December 31, 2012 and 2011, respectively, related to amounts which potentially will be paid from assets presently held in the Self Insurance Program. Although management believes that the Self Insurance Program's reserves are adequate, there can be no assurance that the reserves will not require material adjustment in future years.

7. Lines of Credit

The Corporation has an unsecured \$10 million line of credit through May 31, 2013, with a local bank of which the outstanding balance was \$703,635 and \$425,000 at December 31, 2012 and 2011. The interest rate was 1.25% and 1.31% at December 31, 2012 and 2011, respectively.

Trinity Hospital Twin City has an unsecured \$2,000,000 line of credit, with a local bank of which the outstanding balance was \$2,000,000 and \$1,500,000 at December 31, 2012 and 2011. The interest rate was 1.7% and 2.3% at December 31, 2012 and 2011.

Rosary has a \$100,000 line of credit, with a bank at an interest rate of prime (3.25% at December 31, 2012 and 2011, respectively) and secured by the assets of Rosary. The amount outstanding as of December 31, 2012 and 2011, is \$75,000 and \$73,968, respectively.

The Trinity Hospital Twin City and Rosary line of credit are guaranteed by the Corporation.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps

Long-term debt and capital lease obligations consist of the following:

	December 31	
	2012	2011
Revenue Bonds		
Brazos County (TX) Health Facilities Development Corporation:		
Series 1993B – St. Joseph Regional Health Center	\$ 17,057,800	\$ 17,057,800
Series 1997A – St. Joseph Regional Health Center	47,672,000	47,672,000
Series 1997B – St. Joseph Manor	13,895,000	13,895,000
Series 2002 – St. Joseph Regional Health Center	27,500,000	27,500,000
Series 2008 – St. Joseph Regional Health Center	28,090,000	28,610,000
Series 2009 – Burleson St. Joseph Manor	7,140,000	7,445,000
County of Erie, Ohio:		
Series 1996A – Providence Care Centers	895,000	1,310,000
Series 2009C – Providence Care Centers	4,505,000	4,525,000
Series 2009B – The Commons of Providence	3,484,250	3,503,500
Series 2009A – Providence Residential Community Corporation	7,315,000	7,350,000
Series 2009B – The Commons of Providence	2,850,750	2,866,500
County of Montgomery, Ohio:		
Series 2010 – St. Leonard	40,575,000	41,110,000
St. Clare Commons 2012A Project	33,200,000	-
County of Lucas, Ohio:		
Series 2002 – Franciscan Care Center, Sylvania	-	6,075,000
Village of Botkins, Ohio		
Series 2012–Franciscan Care Center	9,760,000	-
Kentucky Economic Development Finance Authority:		
Series 2010 – Madonna Manor, Inc.	28,440,000	28,440,000
City of Steubenville, Ohio:		
Series 2010 – Trinity	41,085,000	42,540,000
County of Tuscarawas, Ohio		
Trinity Hospital Twin City	5,760,000	6,000,000
City of Sylvania, Ohio		
Series 2012–Rosary Care Center	4,395,000	-
Other		
Notes payable to financial institutions, various interest rates		
with final installments due at various dates from 2012 to 2024	4,202,096	4,058,505
Other notes payable	175,000	193,798
Charitable gift annuity	150,450	171,404
Capital lease obligations collateralized by equipment	541,881	1,113,356
	<u>328,689,227</u>	<u>291,436,863</u>
Less current portion	(5,815,908)	(4,928,868)
Less original discount	(2,416,494)	(2,730,665)
Total long-term debt and capital lease obligations	<u>\$ 320,456,825</u>	<u>\$ 283,777,330</u>

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

The current members of the Sylvania Franciscan Health Obligated Group (the Obligated Group) are St. Joseph Regional Health Center of Bryan, Texas (St. Joseph); the corporate office of the Corporation; St. Joseph Manor, and St. Joseph Physician Associates (SJPA) effective June 30, 2012, which have adopted a common plan of financing under a Master Trust Indenture.

Under the Master Trust Indenture, each member of the Obligated Group is jointly and severally liable for payment of debt issued pursuant to the Master Indenture. The Obligated Group has issued several series of revenue bonds through Brazos County (Texas) Health Facilities Development Corporation (BCHFDC) in connection with various financing and construction projects. Under a Master Trust Indenture, the Obligated Group is jointly and severally liable for payment of Series 1993B, 1997A, 1997B, 2002, and 2008 Bonds, as a result of each having pledged to meet the principal and interest on each note for so long as any bonds are outstanding. In addition, the Obligated Group has agreed to certain operational and financial restrictions to limit additional indebtedness and guarantees, maintain specified financial ratios, and fulfill sinking fund requirements in various trustee-held accounts, among other covenants. The assets and other accounts of the Franciscan Services Self-Insurance Trust or SFH Assurance, LLC are not subject to the provisions of the Master Trust Indenture.

In addition, the Obligated Group has issued Notes to secure the guaranty by St. Joseph of obligations under the reimbursement agreement relating to the letter of credit securing the BCHFDC Series 2009 Burleson St. Joseph Manor Bonds and the guaranty by Sylvania Franciscan Health of the Kentucky Economic Development Finance Authority Madonna Manor Series 2010 Bonds, St. Clare Commons and the Trinity Hospital Twin City direct financing.

The Series 1993B Bonds consist of term bonds that mature in varying amounts through January 1, 2019, with interest ranging from 4.875% to 6% payable semiannually. Bonds outstanding may be redeemed at par. During 2011, St. Joseph executed an early redemption of \$4,355,000 of the Series 1993B Bonds.

The Series 1997A Bonds consist of term bonds that mature in varying amounts annually through January 1, 2028, and bear interest ranging from 4.30% to 5.37%, payable semiannually. Outstanding bonds maturing on or after January 1, 2017, are subject to optional redemption equal to the principal plus accrued interest, if any, to the redemption date.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

The Series 1997B Bonds consist of term bonds that mature in varying amounts annually beginning January 1, 2020 through January 1, 2028, and bear interest at 5.37%, payable semiannually. Outstanding bonds maturing on or after January 1, 2022, are subject to optional redemption equal to the principal plus accrued interest.

The Series 2002 Bonds consist of term bonds that mature in varying amounts annually beginning January 1, 2029, and bear interest at 5.38%, payable semiannually. Outstanding bonds maturing on or after January 1, 2013, are subject to optional redemption at a premium of 1% plus accrued interest. Bonds outstanding on or after January 1, 2014, may be redeemed at par plus accrued interest.

The Series 2008 Bonds consist of term bonds that mature in varying amount annually through January 1, 2038, and bear interest at a fixed rate ranging from 4.0% to 5.5%.

In connection with the refinancing of its Series 1999 Bonds, BCHFDC issued the Series 2009 Bonds on behalf of Burluson St. Joseph Manor (BSJM), which mature on July 1, 2029, and bear interest at a variable rate. Bond proceeds were borrowed under a loan agreement, with the issuer under which BSJM agrees to make payments sufficient to pay principal and interest as they become due. St. Joseph has been named as guarantor pursuant to the loan agreement. The Series 2009 Bonds are supported by a letter of credit issued by Wells Fargo Bank, N.A. The letter of credit expires on February 26, 2015. As of December 31, 2012, there have been no draws on the letter of credit. The interest rate for the 2009 Bonds, which is determined weekly, averaged approximately 0.27% for 2012, and was 0.25% at December 31, 2012. BSJM may select other interest rate modes for the 2009 Bonds, subject to certain limitations. Outstanding bonds are subject to optional redemption at a price equal to par plus accrued interest to the date of redemption.

Effective February 3, 2004, St. Joseph and Merrill Lynch Capital Services, Inc. (MLCS) entered into a basis swap agreement. The basis swap provides that St. Joseph will receive from MLCS a variable amount of interest based upon the Bond Marketing Association (BMA) Municipal Bond Index and pay MLCS a variable rate of interest at a rate of 76.75% of the London Interbank Offered Rate (LIBOR) on the notional amount of \$13,750,000.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

Effective August 30, 2005, St. Joseph and MLCS entered into two fixed receiver swap agreements (the 2005 Swaps). The 2005 Swaps provide that St. Joseph will receive from MLCS a fixed amount of interest of 5.35% and pay to MLCS a variable rate of interest based upon the BMA Municipal Bond Index on the initial notional amounts of \$15,665,000 and \$16,555,000. These notional amounts decline each year by the same amount as the amortization of the Series 1993B Bonds.

Effective August 16, 2007, St. Joseph and MLCS entered into five total return swaps and one fixed-payor swap (the 2007 swaps) related to the outstanding 1997A and 1997B Bonds. The total return swaps provide that St. Joseph will receive from MLCS a fixed amount of interest of 4.945% and pay to MLCS a variable rate of interest based upon the SIFMA Index on each notional amount. The fixed payor swap expires on January 1, 2028, and provides that St. Joseph will receive from MLCS a variable rate of interest of three-month LIBOR and pay to MLCS a fixed rate of interest of 3.864% on the notional amount of \$48,500,000. Effective March 12, 2008, St. Joseph and MLCS entered into a fixed spread basis swap (2008 Swap) related to the outstanding 2008 Bonds. The 2008 Swap expires on March 1, 2028, and provides that St. Joseph will receive from MLCS a variable rate of interest based upon LIBOR and pay to MLCS a variable rate of interest based upon the BMA Municipal Bond Index on the initial notional amount of \$30,000,000. On September 21, 2009, BSJM entered into a swap agreement with respect to the Series 2009 Bonds (the 2009 Swap) with Wells Fargo Bank N.A. The 2009 Swap, which is scheduled to mature on September 1, 2014, provides that BSJM will receive from Wells Fargo a variable rate of interest based upon the SIFMA Municipal Swap Index and pay to Wells Fargo a fixed rate of interest of 2.42% on the initial notional amount of \$8,025,000. The notional amount of the swap is reduced each year consistent with the principal payments made on the 2009 Bonds, and the notional amount at December 31, 2012, is \$7,140,000.

Interest rate swap contracts between St. Joseph and swap counterparties expose St. Joseph Health to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparty will not be fulfilled. Counterparty credit risk is managed by requiring high credit standards for the St. Joseph's counterparty. The counterparty to these contracts is a financial institution that carries investment-grade credit ratings. The interest rate swap contracts contain certain collateral provisions applicable to both parties to mitigate credit risk; collateral was not required at December 31, 2012 and 2011. St. Joseph may be required to post additional collateral to secure obligations that would be owed to the counterparty under the agreements if terminated,

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

regardless of whether the agreements are actually terminated. St. Joseph does not anticipate nonperformance by its counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. Management also mitigates risk through periodic reviews of its derivative positions in the context of its blended cost of capital.

At December 31, 2012 and 2011, the market value of these interest rate swap agreements was a liability of \$13,290,750 and \$13,267,665, respectively.

The County of Erie, Ohio, issued its Series 1996A Bonds on behalf of Providence Care Centers. In connection with the issuance of the Series 1996A Bonds, Providence Care Centers entered into lease and sublease agreements with Erie County, which extend through the term of the Bonds. Payments under the sublease are equal to the principal and interest on the bonds, consisting of serial bonds which are subject to mandatory redemption on each October 1 in increasing annual amounts through October 1, 2014, bearing interest at a variable rate (.20% and 2.19% at December 31, 2012 and 2011, respectively). The bonds are supported by an irrevocable letter of credit of JPMorgan Chase Bank, N.A., which expires on October 15, 2014. The Series 1996A Bonds are secured by property.

The Series 2009A, B, and C bonds consist of serial bonds, which are subject to mandatory redemption on each October 15 in increasing annual amounts through October 5, 2034, bearing interest at a variable rate (2.15% and .12% at December 31, 2012 and 2011, respectively). Each Series of the 2009 bonds is secured by the property of Providence Care Centers, a pledge of the gross revenues of accounts receivable, inventory, equipment, and an assignment of lease rentals, and is cross-collateralized by a grant of subordinate interests in the real property and a pledge of personal properties of the other subsidiaries of Providence Care Centers.

Providence Care Centers has an interest rate swap agreement for \$10,023,000 of the total borrowings outstanding. The swap is recorded at fair value, which is a liability of \$757,924 and \$757,956 at December 31, 2012 and 2011, respectively.

In addition, Providence Care Centers and its subsidiaries have agreed to certain operational and financial restrictions to limit additional indebtedness, guarantees, maintain specified financial ratios, and fulfill sinking fund requirements in various trustee accounts, among other covenants, which have been met.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

In June 2010, the County of Montgomery, Ohio, issued \$41.1 million Demand Revenue Bonds, Series 2010 (Series 2010 Bonds) on behalf of St. Leonard. In connection with the issuance of the Series 2010 Bonds, St. Leonard entered into lease and sublease agreements with Montgomery County, which extend through the term of the bonds. Payments under the sublease are equal to the principal and interest on the bonds. The 2010 bonds are secured by the property of St. Leonard and a pledge of the gross revenues of St. Leonard. The Series 2010 Bonds consist of serial bonds, which are subject to mandatory redemption on each April 1 in increasing annual amounts through April 1, 2040, bearing interest at a fixed rate ranging from 6% to 6.625%. To secure its obligation under the sublease, St. Leonard delivered to the Trustees its Series 2010 Note in the amount of \$41.1 million issued pursuant to the St. Leonard Master Indenture, payable in installments and bearing interest in the amounts equal to the principal interest on the Series 2010 Bonds. St. Leonard is the only current member of the Obligated Group under the St. Leonard Master Indenture. The Series 2010 Note is secured by the property of St. Leonard.

On June 15, 2012, St. Clare Commons financed \$33.2 million to construct a new continuing care retirement community in Perrysburg, Ohio. St. Clare Commons leased to Fifth Third Bank their interest in this project and in turn, Fifth Third Bank leased this project to the County of Wood, Ohio for sublease to St. Clare Commons. This financing is secured by a pledge St. Clare Commons revenues. All liability associated to this agreement is fully guaranteed by the Corporation. St. Clare Commons has agreed to make rental payments back to Fifth Third Bank which consists of monthly interest payments beginning August 1, 2012, based on a 3.17% rate through June 1, 2022, and quarterly principal payments beginning September 1, 2014 through June 1, 2042.

On March 1, 2012, the Village of Botkins, Ohio issued \$9,760,000 of HealthCare Revenue Bonds, Series 2012 (Series 2012 Bonds) and obtained a direct loan in the amount of \$1,925,000 to finance an addition consisting of the acquisition of 10 additional beds, the addition of 25 private rooms, and to refinance the Series 2002 Bonds outstanding at December 31, 2011.

The Series 2012 Bonds are subject to redemption semi-annually in varying amounts through March 1, 2018. In connection with the issuance of the Series 2012 Bonds, the Franciscan Care Center entered into lease and sublease agreements with the Village of Botkins, which extend through the terms of the series 2012 Bonds. The series 2012 Bonds are secured by a first mortgage lien on the property. Interest and principal are due semi-annually until maturity on March 1, 2028. The interest rate in effect at December 31, 2012 was 1.64%.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

The direct loan will be paid in equal monthly installments of \$16,043 over the next ten years beginning April 1 and will be secured by a second mortgage on the real estate of Franciscan Care Center, Sylvania and a lien on its business assets including, equipment, inventory, accounts receivable, general intangibles, and deposits. The amount outstanding at December 31, 2012, is \$1,764,573. The interest rate in effect at December 31, 2012, was 2.16%.

On January 5, 2010, the Kentucky Economic Development Finance Authority issued \$28,440,000 Healthcare Facilities Revenue Bonds (Madonna Manor, Inc. Project), Series 2010. Bond proceeds were borrowed under a loan agreement. Under the loan agreement, a note was issued to the Trustee payable in installments and bearing interest in the amounts equal to the principal and interest on the bonds. All liability under the loan agreement and note is fully guaranteed by the Corporation. The Madonna Manor Series 2010 bonds consist of serial bonds, which are subject to mandatory redemption on each December 1 in increasing annual amounts through December 1, 2039, bearing interest at a rate of 7.00%. The bonds may be redeemed in whole or in part on any business day on or after September 5, 2013, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of redemption. The guarantee of the Corporation is further secured by a Note issued by the Obligated Group under the Sylvania Franciscan Health Master Indenture.

On December 22, 2009, Madonna Manor entered into a total return swap with Bank of America Merrill Lynch for the entire amount of borrowings with an effective date of January 5, 2010, and a termination date of January 5, 2013. In December 2012, this total return swap was renewed through January 5, 2016, with a fixed interest rate based on Bank of America's bond rating. In accordance with the agreement, Madonna Manor makes semiannual (May 15 and November 15) variable interest payments at the USD-SIFMA Municipal Swap Index rate in exchange for a 5.00% fixed rate on the notional amount of outstanding debt. The swap is recorded at its fair value, which is an asset of \$378,955 and \$159,833 at December 31, 2012 and 2011, respectively. Madonna Manor has certain cash collateral requirements associated with this swap. At December 31, 2012 and 2011, collateral was not required to be posted.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

In August 2010, Trinity Hospital Holding Company and its subsidiaries, Trinity East and Trinity West (collectively, Trinity) leased certain facilities to the City of Steubenville, Ohio (City) through the year 2030. The City then agreed to loan Trinity the proceeds from the sale by the City of \$43,930,000 of Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2010. The City then subleased the facilities to Trinity East and Trinity West for the same term at a rental equal to the debt service on the Series 2010 Bonds. The obligations of Trinity to pay rent under the subleases have been evidenced and secured by the Series 2010 Note issued to The Bank of New York Mellon Trust Company, N.A. (Master Trustee) by Trinity pursuant to the terms of the Trinity Master Indenture dated August 1, 2010.

Trinity has assigned and granted an assignment of and a security interest in all present and future gross receipts of Trinity to secure payment of principal and interest on Series 2010 Bonds and the observance and performance of each member of Trinity of all of its covenants, agreements, and obligations under the Trinity Master Indenture. The security interest does not include any interest in the net assets of the Foundation, which aggregated \$15,006,375 and \$13,679,421 at December 31, 2012 and 2011, respectively, nor any income generated from that interest. As security for its obligations under the Series 2010 Bonds, each of Trinity East and Trinity West, respectively, has granted to the Trinity Master Trustee pursuant to the Trinity Master Indenture for the benefit of the bondholders, a first mortgage lien on the real property and fixtures constituting the existing facilities.

The Trinity Series 2010 Bonds consist of serial bonds, which are subject to mandatory redemption on each October 1 in increasing annual amounts through October 1, 2030, bearing interest at a fixed rate ranging from 2% to 5%.

During September 2011, the County of Tuscarawas, Ohio entered into a \$6 million lease financing agreement with a local bank, and Trinity Hospital Twin City became the sublessee under the agreement in order to finance the acquisition of the hospital. Payments under the sublease are equal to principal and interest which through October 1, 2036, in a semi-annual amount of \$120,000, bearing interest at a variable rate (1.9% at December 31, 2012 and 2011).

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

8. Long-Term Debt and Interest Rate Swaps (continued)

In March 2012, the City of Sylvania, Ohio issued \$4,395,000 of City of Sylvania, Ohio Health Care Revenue Bonds, Series 2012 (Rosary Series 2012 Bonds) for the purpose of acquiring, constructing, equipping and improving a 17 unit assisted living facility, including refinancing certain debt and to pay the bond issuance costs. Subsequent to this, these bonds were purchased by Huntington National Bank. The site of these facilities has been leased to Rosary by the Sisters, who fully guarantee this liability. These improvements will then be sub-subleased to Rosary. The Rosary Series 2012 Bonds are subject to redemption semi-annually in varying amounts, with the final payment due on March 1, 2038. The interest rate in effect at December 31, 2012, was 1.64%.

The Corporation also has certain entities that have various outstanding notes payable as of December 31, 2012 and 2011, of \$2,612,523 and \$4,252,303, respectively.

Required principal payments of the Combined Group's long-term debt, excluding capital lease obligations, in each of the five years subsequent to December 31, 2012, are as follows: 2013 – \$5,458,046; 2014 – \$8,433,485; 2015 – \$9,285,855; 2016 – \$9,650,655; 2017 – \$9,261,176; and thereafter \$286,058,129.

Required principal payments of the Combined Group's capital lease obligations, in each of the years subsequent to December 31, 2012, are as follows: 2013 – \$357,862; 2014 – \$184,019.

In addition, the Obligated Group and various subsidiaries of the Corporation have agreed to certain operational and financial restrictions to limit additional indebtedness, guarantees, and maintain specified financial ratios among other covenants. As of December 31, 2012, the Corporation met all of its required covenants. Interest paid in 2012 and 2011, was approximately \$14,261,000 and \$14,391,000, respectively. The Combined Group capitalized interest of approximately \$923,000 and \$2,720,000 during 2012 and 2011, respectively.

9. Retirement and Postretirement Benefit Plans

The Corporation participates with other affiliated organizations in the Sisters of St. Francis Lay Employees' Retirement Plan (the Sisters' Plan), which is a noncontributory, defined benefit retirement plan covering eligible lay employees. The Sisters' Plan provides for retirement and disability retirement benefits based on years of service and an employee's highest consecutive three-year average earnings. The Sisters and the Corporation intend that this will be a permanent plan for the exclusive benefit of its participants, the joint annuitants, and beneficiaries.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

In addition, the Sisters and the Corporation intend, but do not guarantee, to make annual contributions to the fund in an amount equal to a percentage of projected covered compensation. The Sisters' Plan is accounted for as a multiemployer pension plan. Accordingly, the Corporation records its required contributions to the Sisters' Plan as net periodic pension expense. The Corporation recognized net periodic pension expense of \$12,427,818 and \$13,044,470 for the years ended December 31, 2012 and 2011, respectively, based on amounts funded to the Sisters' Plan. The projected and accumulated benefit obligation exceeded the fair value of plan assets by \$183.9 million and \$123.8 million, respectively, at December 31, 2012, using a weighted-average discount rate of 4.12%, an expected long-term rate of return on plan assets of 8.0%, and an expected rate of compensation increase of 3.5%.

Trinity East has three defined benefit pension plans. Benefits under the pension plans are generally based on years of service and the employees' average annual compensation in five of the last ten years prior to retirement in which such earnings are the highest. Trinity East funds at least the amount necessary to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code.

Trinity East and Trinity West have other postretirement benefits relating to health insurance coverage for employees who participated in an early retirement program in a prior year. These postretirement benefits are not impacted by the Medicare Prescription Drug Improvement and Modernization Act of 2003 as health care coverage terminates once retirees are Medicare eligible. The Corporation has also assumed a previously owned hospital's postretirement benefit plan. Postretirement benefit costs are funded as incurred.

Amounts included in unrestricted net assets at December 31, 2012, that have not yet been recognized in net periodic pension cost are the net unrecognized prior service cost of \$2,084 and net unrecognized actuarial losses of \$25,950,499. The net prior service cost and net actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending December 31, 2012, are \$1,853,570 and \$1,602, respectively.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

The table below sets forth the change in the plan assets and benefit obligation of the Trinity East pension plans and the Trinity East, Trinity West, and Providence Hospital postretirement plans for the years ended December 31, 2012 and 2011. The table also reflects the funded status of the plans, as well as recognized and unrecognized amounts in the combined statements of financial position at December 31, 2012 and 2011.

	Trinity East Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 55,478,119	\$ 48,831,398	\$ 1,188,005	\$ 1,155,180
Service cost	1,051,464	910,739	-	-
Interest cost	2,498,612	2,554,831	51,877	61,676
Participant contributions	-	-	7,593	7,593
Actuarial loss	6,028,187	5,040,680	86,565	84,964
Benefits paid	<u>(1,964,200)</u>	<u>(1,859,529)</u>	<u>(125,115)</u>	<u>(121,408)</u>
Benefit obligation at end of year	63,092,182	55,478,119	1,208,925	1,188,005
Change in plan assets:				
Fair value of plan assets at beginning of year	36,659,861	35,805,835	-	-
Actual return on plan assets	3,833,478	268,555	-	-
Employer contribution	2,520,000	2,445,000	117,522	113,815
Participant contributions	-	-	7,593	7,593
Benefits paid	<u>(1,964,200)</u>	<u>(1,859,529)</u>	<u>(125,115)</u>	<u>(121,408)</u>
Fair value of plan assets at end of year	<u>41,049,139</u>	<u>36,659,861</u>	<u>-</u>	<u>-</u>
Accrued benefit cost	\$ (22,043,043)	\$ (18,818,258)	\$ (1,208,925)	\$ (1,188,005)

The accumulated benefit obligation for all pension plans was \$61,758,026 and \$54,328,210 at December 31, 2012 and 2011, respectively.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

The Trinity East plan assets are invested in an actively managed portfolio that integrates asset allocation strategies across equity and debt markets within the United States. The portfolio objectives are long-term growth balanced with moderate variability with an expected shift to assets with a more fixed income allocation as the plan population ages and near retirement. The use of an appropriate asset management policy combines the various asset pools to ensure flexibility and to adapt to the changing retirement needs of the plan participants. The plan's objective is to have 45% to 65% invested in equities and 30% to 50% invested in fixed income securities. For the long-term, the primary investment objective for the portfolio is to earn the highest possible total return consistent with prudent levels of risk. The primary objective overall is to enable the three pension plans to meet their future obligations for employee retirement.

The weighted-average asset allocations by asset category of the Trinity East plans are as follows:

	December 31	
	2012	2011
Asset category:		
Equity securities	56%	44%
Debt securities	44	45
Other	-	11
Total	100%	100%

Sylvania Franciscan Health and Subsidiaries
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Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

The following table summarizes the Trinity East pension assets measured at fair value on a recurring basis as of December 31, 2012 and 2011, aggregated by the level in the fair value hierarchy within which those measurements are determined:

	Total Fair Value Measurement at December 31, 2012	Fair Value Measurement at December 31, 2012 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 1,065,110	\$ 1,065,110	\$ -	\$ -
U.S. government and agency obligations	6,635,592	-	6,635,592	-
Equities:				
International	4,684,791	4,684,791	-	-
Corporate bonds:				
Domestic	9,836,769	-	9,836,769	-
International	418,382	-	418,382	-
Mutual funds:				
Domestic	18,408,495	18,408,495	-	-
	<u>\$ 41,049,139</u>	<u>\$ 24,158,396</u>	<u>\$ 16,890,743</u>	<u>\$ -</u>

	Total Fair Value Measurement at December 31, 2011	Fair Value Measurement at December 31, 2011 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 5,221,578	\$ 5,221,578	\$ -	\$ -
U.S. government and agency obligations	9,409,592	-	9,409,592	-
Equities:				
International	3,942,636	3,942,636	-	-
Corporate bonds:				
Domestic	5,460,332	-	5,460,332	-
International	421,007	-	421,007	-
Mutual funds:				
Domestic	12,204,716	12,204,716	-	-
	<u>\$ 36,659,861</u>	<u>\$ 21,368,930</u>	<u>\$ 15,290,931</u>	<u>\$ -</u>

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

Trinity East expects to contribute \$2,520,000 to its pension plans in fiscal 2013. Sylvania Franciscan Health expects to contribute \$112,000 to its postretirement plan in 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Trinity East pension plans and the Trinity East and West and Providence Hospital other benefits during the year ending December 31:

	Pension Benefits	Postretirement Benefits
2013	\$ 2,308,092	\$ 120,377
2014	2,404,494	120,087
2015	2,503,185	107,754
2016	2,658,730	106,550
2017	2,840,729	104,343
2018-2022	17,164,290	455,037

The components of net periodic benefit cost for the pension plans and other postretirement benefit plans for the years ended December 31, 2012 and 2011, were as follows:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Service cost	\$ 1,051,464	\$ 910,739	\$ —	\$ —
Interest cost	2,498,612	2,554,831	51,877	61,676
Expected return on plan assets	(2,951,732)	(3,017,633)	—	—
Recognized net actuarial loss (gain)	1,343,200	844,058	(32,587)	(47,357)
Amortization of prior service cost	1,602	1,602	—	—
Net periodic benefit cost	\$ 1,943,146	\$ 1,293,597	\$ 19,290	\$ 14,319

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

Actuarial assumptions for the Trinity East and Trinity West pension plans are as follows:

	December 31	
	2012	2011
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.8%	4.6%
Expected long-term rate of return on plan assets	7.5%	8.0%
Expected rate of compensation increase	3.0%	3.0%
Weighted-average assumptions used to determine benefit obligation for years ended December 31:		
Discount rate	4.6%	5.35%
Rate of compensation increase	3.0%	3.0%

In selecting the expected long-term return on plan assets, Trinity East pension plans considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This included considering the asset allocation and the expected returns likely to be earned over the life of the plans. This basis is consistent with prior year.

Actuarial assumptions for the Providence Hospital plan are as follows:

	December 31	
	2012	2011
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	4.67%	5.75%
Weighted-average assumptions used to determine benefit obligation for years ended December 31:		
Discount rate	3.62%	4.67%

An increase of 9.0% in the health care cost trend rate was assumed for Providence Hospital plan next year. This rate is assumed to decrease gradually to 5% in 2021 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. A 1% increase in the health care cost rate would increase the accumulated postretirement benefit obligation by \$113,265 and the net periodic cost by \$4,490. A 1% decrease in the health care cost rate would decrease the accumulated postretirement benefit obligation by \$100,994 and the net periodic cost by \$3,964.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

9. Retirement and Postretirement Benefit Plans (continued)

Trinity Hospital Holding Company has supplemental pension and welfare agreements with certain key executives that provide for fixed payments at the date of retirement, death, or disability and lump-sum life insurance benefits. Trinity Hospital Holding Company is providing for these benefits over the estimated term of employment of the employees to age 65. The present value of these benefits of approximately \$1,001,000 and \$701,000 at December 31, 2012 and 2011, respectively, has been included in the combined statements of financial position as long-term retirement benefits payable. Approximately \$293,000 and \$6,900 was charged to expense for these benefits for the years ended December 31, 2012 and 2011, respectively. Trinity Hospital Holding Company has purchased life insurance contracts on certain employees, which upon the death of the employee, may be used to fund the supplemental pension and welfare arrangements with the key executives.

The Corporation has a supplemental retirement plan for certain key employees. The Corporation recognizes expense on a prorated basis over the expected service period of the participants. The plan is funded with investments held in a Rabbi Trust. The plan assets are included with assets whose use is limited on the combined statements of financial position and totaled \$1,123,035 and \$1,114,954 at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, respectively, the Corporation has a supplemental retirement obligation of \$1,728,481 and \$1,769,670.

The Corporation is the sponsor of the 457(b) Plan for Sylvania Franciscan Sponsored Ministries 457(b) plan which was established in 2011 to provide deferred compensation for a select group of management or highly compensated employees. At December 31, 2012 and 2011, respectively, the plan assets of \$759,355 and \$316,641 are included in assets whose use is limited and a corresponding retirement obligation is recorded.

The Sisters of St. Francis 403(b) Voluntary Employee Deferral Plan is a single-employer, defined contribution employee benefit plan. All entities of the Corporation who have adopted the plan are eligible to participate upon the date of employment. In addition, St. Joseph may elect to make discretionary matching contributions of \$.50 for every \$1.00 of an employee's elective deferrals, up to 2% of an employee's compensation. Employees become 100% vested in the employer's contribution after three years of service. St. Joseph contributed approximately \$681,091 and \$551,925 during the years ended December 31, 2012 and 2011, respectively.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

10. Related-Party Transactions

Rosary Care Center entered into a lease agreement with the Sisters, which provides monthly rental payments and payments for expenses in connection with the maintenance and operation of the leased premises. Rental expenses amounted to \$157,800 for the years ended December 31, 2012 and 2011. The monthly rental payments under the operating lease are approximately \$13,150 plus interest on the Sisters debt instrument and expenses relating to maintenance and operating of the premises.

Trinity Health System has transactions with Tri-State, a co-sponsor with the Corporation of Trinity Health System, which relate primarily to the rental of office space and the purchase of employee time which are not material. Net amounts due from Tri-State of approximately \$525,000 and \$270,000, respectively, at December 31, 2012 and 2011, are included in due from and to affiliates. The Corporation also has other amounts included in due to/from affiliates relating to transactions with the Sisters and related physician practices.

11. Contingencies

The Corporation is party to several lawsuits incidental to its operations. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, of the Corporation with respect to such lawsuits. In the opinion of management, after consultation with legal counsel, adequate insurance exists to cover significant financial exposure, in the event there is any, to the Corporation. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the combined financial position.

On October 5, 1995, St. Joseph executed an operating lease agreement with Burleson County Hospital District to lease substantially all of the property, plant, and equipment of the acute care facility located in Caldwell, Texas, for five years with three renewal terms of five years each. Effective October 1, 2005, St. Joseph executed a second lease renewal that extended the lease for eight years with one renewal option for an additional period of eight years.

On March 17, 1996, St. Joseph executed an operating lease agreement with Grimes County to lease substantially all the plant, property, and equipment of the acute care facility located in Navasota, Texas, for seven years with two renewal terms of seven years each. The lease was renewed for a seven-year term effective September 17, 2010.

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

11. Contingencies (continued)

At December 31, 2011, future minimum lease payments under noncancelable operating leases, with initial lease terms of greater than one year, aggregate as follows: 2013 – \$17,711,519; 2014 – \$11,723,505; 2015 – \$8,845,126; 2016 – \$4,916,784; 2017–\$4,608,512.

Rental expenses for operating leases and medical equipment for the years ended December 31, 2012 and 2011, amounted to \$21,745,011 and \$20,798,215, respectively.

12. Concentrations of Credit Risk

The members of the Combined Group grant credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	December 31	
	2012	2011
Government-related programs	43%	42%
Patients	32	35
Other third-party payors	25	23
	100%	100%

13. Functional Expenses

The members of the Combined Group provide general health care services to residents within their geographic locations including medical/surgical, pediatric, critical, emergency care, and post-acute residential care. Expenses from continuing operations relating to providing these services are as follows:

	Year Ended December 31	
	2012	2011
Health care services	\$ 435,580,274	\$ 392,006,375
General and administrative	178,947,313	177,452,700
	\$ 614,527,587	\$ 569,459,075

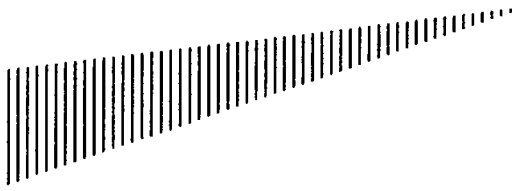
Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Notes to Combined Financial Statements (continued)

14. Trinity Texas Disaffiliation

In 2010, Trinity Health Services Corporation and Subsidiaries (Trinity Texas) separated from the Corporation. Trinity Texas acquired the Corporation's membership interest through reorganization and paid the Corporation 45% of their net asset value, as defined. This consideration was paid 10% in cash at closing and the remaining was paid over a two-year period with interest. The note receivable at December 31, 2012 and 2011, is \$0 and \$19,621,710 and earned interest at 5.25%.

Other Supplementary Information



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Report of Independent Auditors on Other Supplementary Information

The Board of Trustees
Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The following combining statement of financial position, combining statement of operations, and combining statement of changes in net assets for the year ended December 31, 2012, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



May 17, 2013

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Financial Position - Assets

	December 31, 2012													Combined	
	Corporate Office	Franciscan Services Self Insurance Program	SFB Amstutz, LTD	SFB Foundation	Combining Adjustments	Subsidiary Franciscan Health	Franciscan Shakers	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Trinity Health System Corporation and Subsidiaries (Ohio)	Trinity Hospital Twin City	Henry Care Center		Combining Adjustments
Assets															
Current assets															
Cash and cash equivalents	\$ 2,227,042	\$ -	\$ 51,724	\$ 173,020	\$ -	\$ 2,451,786	\$ 193,619	\$ 35,805	\$ 12,148,260	\$ 6,613,318	\$ 14,694,717	\$ 304,521	\$ 21,975	\$ -	\$ 36,464,001
Investments	-	-	-	-	-	-	144,062	-	-	-	-	-	-	-	144,062
Current portion of trustee-held funds	-	-	-	-	-	-	-	-	-	4,971,553	805,462	-	-	-	5,777,015
Accounts and notes receivable:															
Patients and residents	-	-	-	-	-	-	-	114,840	6,375,195	84,562,781	31,201,920	5,456,411	535,481	-	128,246,615
Less allowances for doubtful accounts	-	-	-	-	-	-	-	(53,000)	(370,406)	(31,729,670)	(7,434,254)	(3,068,035)	(26,546)	-	(42,701,011)
Other receivables	63,181	-	-	-	-	63,181	16,960	61,840	469,870	4,269,091	814,627	110,378	48,740	-	5,992,856
Due from affiliates	63,181	-	-	-	-	63,181	16,960	61,840	6,474,668	57,082,202	24,582,203	2,698,754	557,682	-	91,537,580
Investments	2,664,945	-	-	-	(52,775)	2,612,170	-	-	105,617	2,478,537	1,534,855	45,853	15,270	(5,980,956)	811,346
Prepaid expenses and other	86,322	-	200,071	-	-	286,593	-	1,912	336,492	3,269,148	1,259,096	117,017	17,964	-	5,288,232
Total current assets	5,041,690	-	251,795	173,020	(52,775)	5,413,730	354,641	99,557	19,197,401	81,004,253	46,627,453	3,559,544	640,519	(5,980,956)	150,916,142
Assets whose use is limited															
Board-designated and restricted funds	759,355	-	-	-	-	759,355	-	-	6,471,229	-	73,863,747	109,849	-	-	81,204,180
Trustee-held funds, less current portion	1,123,035	-	-	-	-	1,123,035	-	-	37,311,433	12,040,326	1,724,221	-	1,749,987	-	56,151,002
Self-insurance programs	-	-	18,303,190	-	-	18,303,190	-	-	-	-	-	-	-	-	18,303,190
Foundation investments	-	-	-	23,114,444	-	23,114,444	-	-	-	-	14,828,866	-	-	-	17,943,310
Other investments	-	-	-	-	-	-	-	-	-	-	1,476,283	-	-	-	1,476,283
Net property and equipment	1,882,390	-	18,301,190	23,114,444	-	43,300,024	230,251	69,230	43,984,062	12,040,326	93,693,117	109,849	1,749,987	-	195,077,965
Other assets	230,251	-	-	-	-	-	-	3,831	124,117,786	183,793,784	52,568,686	14,668,431	4,064,003	-	379,516,002
Financing costs net of amortization	-	-	-	-	-	-	-	-	2,188,118	3,039,062	270,708	71,982	102,188	-	5,672,058
Notes and other receivables	-	-	-	-	-	-	-	-	2,818,956	479,149	481,631	-	-	-	3,779,736
Due from affiliates	-	-	-	-	-	-	-	-	377,327	6,039,585	2,224,470	144,296	34,864	(8,820,542)	17,471,161
Goodwill	-	-	-	-	-	-	-	-	-	-	3,873,161	-	-	-	3,873,161
Certificates of deposit, net of amortization	-	-	-	-	-	-	-	-	3,096,836	-	-	355,159	-	-	3,451,995
Long-term investments	36,492,227	-	-	-	-	36,492,227	-	-	22,099,368	158,579,889	378,955	447,332	245,000	-	217,171,484
Other	36,492,227	-	-	-	-	36,492,227	-	-	30,959,540	168,585,017	7,294,970	216,278	492,211	(8,820,542)	235,219,721
Total assets	\$ 43,646,218	\$ -	\$ 18,552,985	\$ 23,287,464	\$ (52,775)	\$ 83,454,237	\$ 423,871	\$ 103,288	\$ 218,259,209	\$ 447,423,140	\$ 200,284,270	\$ 18,524,102	\$ 6,646,720	\$ (14,801,478)	\$ 966,720,839

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Financial Position – Liabilities and Net Assets

December 31, 2012

	Corporate OHIO	Franciscan Services Self-Insurance Program	SFH Assurance, LTD.	SFH Foundation	Combining Adjustments	Subtotal Sylvania Franciscan Health	Franciscan Bibleves	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Trinity Health System Corporation and Subsidiaries (Ohio)	Trinity Hospital Twin City	Henry Cure Center	Combining Adjustments	Combined
Liabilities and net assets															
Current liabilities															
Accounts payable and accrued expenses															
Accounts payable	\$ 32,997	\$ -	\$ 181,758	\$ 17,993	\$ (52,775)	\$ 180,045	\$ 11,795	\$ 7,377	\$ 10,942,567	\$ 18,691,701	\$ 13,504,092	\$ 950,628	\$ 373,978	\$ (50,556)	\$ 44,611,629
Compensation, fees and amounts withheld from compensation	4,029	-	-	-	-	4,029	1,865	3,000	1,763,147	10,281,806	5,001,942	429,625	114,765	-	17,600,179
Accrued interest	-	-	-	-	-	-	-	-	836,160	3,666,807	424,209	-	-	-	4,927,176
Due to affiliate	197,428	-	-	968,640	(72)	1,165,996	-	-	201,607	369,912	-	567,635	1,035,114	(3,340,264)	-
Other	-	-	-	-	-	-	-	-	-	-	1,380,710	-	-	-	1,380,710
Deferred revenue	234,454	-	181,758	986,633	(52,775)	1,350,070	13,660	10,377	13,743,481	33,010,228	20,310,973	1,947,888	1,523,857	(3,390,820)	68,519,714
Settlements payable under third-party reimbursement contracts	-	-	-	-	-	-	-	25,985	91,398	-	-	-	-	-	119,383
Loss of credit	703,635	-	-	-	-	703,635	-	-	467,019	7,844,706	2,408,780	102,403	56,157	-	10,879,065
Notes payable	-	-	-	-	-	-	-	-	385,000	-	-	2,000,000	75,000	-	2,778,635
Current portion of reserve for asbestos claims	-	-	2,205,115	-	-	2,205,135	-	-	94,332	1,509,897	556,117	36,074	8,716	(385,000)	2,205,135
Current portion of retirement obligation	237,328	-	-	-	-	237,328	-	-	-	-	8,993	-	-	-	245,421
Current portion of refundable and nonrefundable entrance fees	-	-	-	-	-	-	-	-	1,302,265	-	-	-	-	-	1,302,265
Current portion of long-term debt and capital lease obligations	-	-	-	-	-	-	-	-	1,447,512	2,175,534	1,862,156	260,706	70,000	-	5,815,008
Total current liabilities	1,175,417	-	2,386,893	986,633	(52,775)	4,496,168	13,660	36,362	17,931,007	44,540,365	25,146,119	4,347,071	1,733,770	(5,980,956)	91,865,526
Long-term liabilities															
Retirement plans	2,362,792	-	-	-	-	2,362,792	-	-	-	-	23,044,093	-	-	-	25,406,885
Postretirement benefit obligation, less current portion	1,082,023	-	-	-	-	1,082,023	-	-	-	-	6,525	-	-	-	1,088,548
Reserve for asbestos claims	-	-	8,820,542	-	-	8,820,542	-	-	377,327	6,039,585	2,224,470	144,206	34,864	(8,820,542)	8,820,542
Derivative liability net	-	-	-	-	-	-	-	-	757,924	13,290,750	-	-	-	-	14,048,674
Nonrefundable and refundable entrance fees less current portion	-	-	-	-	-	-	-	-	18,436,221	-	-	-	-	-	18,436,221
Long-term debt and capital lease obligations, less current portion	-	-	-	-	-	-	-	-	131,116,203	140,937,640	38,546,765	5,531,217	4,325,000	-	190,456,823
Other	-	-	-	-	-	-	-	-	97,065	2,240,673	-	-	-	-	2,337,738
Total liabilities	4,620,232	-	11,207,435	986,633	(52,775)	16,761,525	13,660	36,362	168,317,747	207,049,013	88,967,972	10,022,584	6,093,594	(14,801,498)	482,460,959
Net assets															
Unrestricted	39,026,326	-	7,347,550	22,300,811	-	68,674,707	400,302	67,026	46,442,297	235,723,684	103,019,995	8,421,669	853,126	-	465,603,406
Temporarily restricted	-	-	-	-	-	-	9,309	-	1,416,422	2,650,683	6,279,515	109,849	-	-	10,465,778
Permanently restricted	-	-	-	-	-	-	-	-	2,082,943	-	2,116,744	-	-	-	4,199,687
Total net assets	39,026,326	-	7,347,550	22,300,811	-	68,674,707	410,211	67,026	49,941,662	238,374,367	111,416,254	8,531,518	853,126	-	478,265,871
Total liabilities and net assets	\$ 43,646,558	\$ -	\$ 18,554,985	\$ 22,287,464	\$ (52,775)	\$ 85,436,232	\$ 420,471	\$ 103,388	\$ 218,259,409	\$ 445,423,380	\$ 200,384,226	\$ 111,554,102	\$ 6,946,720	\$ (14,801,498)	\$ 960,726,812

Sylvania Franciscan Health and Subsidiaries
Sisters of St Francis of Sylvania, Ohio

Combining Statement of Operations

Year Ended December 31, 2012

	Year Ended December 31, 2012										Triality Health System				Combination Adjustments	Combined
	Corporate Office	Franciscan Services Self Insurance Program	SPH Assurance, LTD	SPH Foundation	Combining Adjustments	Subtotal Franciscan Health	Franciscan Sisters	Sophia Center	Franciscan Living Communities	St. Joseph Services Corporation and Subsidiaries	Triality Hospital Twin City	Rosary Care Center	Combination Adjustments			
Revenues, gains, and other support																
Net patient service revenue (net of contractual allowances and discounts)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,647	\$ 48,561,926	5338,590,015	\$ 202,930,810	\$ 20,464,840	\$ 3,154,280	\$ -	\$ 634,065,518	
Provision for bad debts	-	-	-	-	-	-	-	-	-	32,364,532	12,410,044	2,148,304	-	-	46,922,880	
Net patient service revenue less provision for bad debts	-	-	-	-	-	-	-	-	-	543,647	48,561,926	326,223,483	18,316,536	3,154,280	587,142,638	
Other revenue	3,352,713	1,209,515	-	-	(137,756)	4,424,472	237,132	-	2,677,444	7,048,543	9,798,081	1,157,457	85,234	(4,424,472)	21,003,891	
Rental revenue	-	-	-	-	-	-	-	3,000	8,931,587	-	-	330,209	-	-	9,264,796	
Net assets released from restrictions	-	-	-	-	-	-	21,825	-	234,278	-	-	65,228	-	-	321,331	
Total revenue, gains and other support	3,352,713	1,209,515	-	-	(137,756)	4,424,472	258,957	346,647	60,403,233	333,274,026	200,338,847	19,869,430	3,239,514	(4,424,472)	617,732,656	
Expenses																
Salaries and wages	2,268,177	-	-	-	-	2,268,177	212,560	238,412	23,213,837	140,987,418	80,525,582	9,915,117	1,396,621	-	258,357,724	
Employee benefits	643,400	-	-	-	-	643,400	-	49,545	6,704,790	38,812,302	27,279,665	2,073,407	388,378	(9,892)	75,941,595	
Purchased services, utilities and other	1,978,566	940,071	1,478,514	73,944	(137,756)	4,333,339	71,058	110,653	12,240,721	66,257,873	29,904,307	2,774,089	1,122,135	(4,414,580)	112,399,595	
Supplies and pharmaceuticals	47,828	-	-	-	-	47,828	950	3,016	5,251,463	47,681,875	43,034,852	1,768,296	366,911	-	98,155,211	
Provision for bad debts	-	-	-	-	-	-	-	4,000	256,319	6,029	-	-	5,000	-	271,348	
Depreciation and amortization	72,258	-	-	-	-	72,258	13,101	1,733	5,636,576	18,691,984	9,570,529	1,205,072	74,941	-	35,265,594	
Professional fees	419,052	1,091,913	188,451	535,899	-	2,235,315	10,559	554	1,188,381	11,762,205	2,954,703	2,511,365	131,852	-	20,794,954	
Interest	260	-	-	-	-	260	-	-	3,762,361	7,363,003	1,847,497	154,876	13,589	-	13,341,586	
Total expenses	3,429,541	2,031,984	1,666,965	609,843	(137,756)	9,600,577	308,228	407,933	58,254,448	331,362,689	195,117,135	20,402,222	3,498,827	(4,424,472)	614,527,587	
Operating (loss) income	(2,076,828)	(822,469)	(1,666,965)	(609,843)	-	(5,176,105)	(49,271)	(61,286)	2,150,787	1,911,337	5,221,712	(532,792)	(259,313)	-	3,205,069	
Nonoperating gains (losses)																
Investment income	1,661,971	1,204,905	169,288	337,527	-	3,373,691	2,804	-	1,508,472	12,767,247	3,306,528	140	-	-	20,958,882	
Net unrealized gains on investments	582,141	1,403,374	509,785	30,477	-	2,525,777	8,657	-	72,773	364,962	5,106,534	-	-	-	8,078,703	
Contributions	-	-	-	-	-	-	-	-	17,130	292,634	751,702	324,473	47,253	326,466	1,759,658	
Fundraising expenses	-	-	-	-	-	-	-	(5,637)	(268,115)	(940,983)	(107,622)	-	-	-	(1,342,357)	
Gains under interest rate swap agreement	-	-	-	-	-	-	-	-	219,154	1,855,110	-	-	-	-	2,074,264	
(Losses) gains on disposal of assets	-	-	-	-	-	-	-	-	(21,861)	(94,023)	13,106	7,340	-	-	(95,438)	
Gain from insurance proceeds	-	-	-	-	-	-	-	-	613,572	-	-	-	-	-	613,572	
Other	-	-	-	-	-	-	-	-	(320,431)	-	-	-	-	-	(320,431)	
Nonoperating gains net	2,244,112	2,608,279	679,073	368,004	-	5,899,468	11,461	11,493	1,896,198	14,684,015	8,643,019	54,733	326,466	-	31,526,833	
Excess (deficit) of revenues over expenses	\$ 167,284	\$ 1,786,810	\$ (987,677)	\$ (241,816)	\$ -	\$ 723,363	\$ (37,810)	\$ (49,793)	\$ 4,046,985	\$ 16,595,352	\$ 13,864,731	\$ (478,059)	\$ 67,153	\$ -	\$ 34,721,922	

Sylvania Franciscan Health and Subsidiaries
Sisters of St. Francis of Sylvania, Ohio

Combining Statement of Changes in Net Assets

Year Ended December 31, 2011

	Corporate Office	Franciscan Services Self-Insurance Program	SFH Annuity, LTD	SFH Foundation	St. Michael Sylvania Franciscan Health Education	Franciscan Shelters	St. Joseph Center	Franciscan Living Communities	St. Joseph Corporation and Subsidiaries	Trinity Health System and Subsidiaries (Ohio)	Trinity Hospital Twin City	Rosary Care Center	Combined
Unrestricted net assets													
Excess (deficit) of revenue over expenses	\$ 167,284	\$ 1,785,810	\$ (987,892)	\$ (241,839)	\$ 723,363	\$ (37,810)	\$ (49,793)	\$ 4,046,985	\$ 16,595,352	\$ 13,864,731	\$ (478,039)	\$ 67,153	\$ 34,731,922
Other changes													
Change in pension liability	-	-	-	-	-	-	-	-	-	(3,801,639)	-	-	(3,801,639)
Net assets released from restriction	-	-	-	-	-	-	-	69,154	742,148	254,097	-	-	1,065,399
Transfer of equity	368,085	(30,857,025)	8,335,442	21,542,670	389,172	-	-	(1,195,145)	70,000	-	-	-	785,973
Increase (decrease) in unrestricted net assets	535,369	(29,071,215)	7,347,550	22,300,831	1,112,535	(37,810)	(49,793)	2,920,994	17,357,500	10,317,189	(478,039)	853,126	31,999,642
Temporarily restricted net assets													
Contributions	-	-	-	-	-	27,792	-	111,700	980,996	126,512	141,945	-	1,388,945
Investment income	-	-	-	-	-	-	-	190,963	7,096	-	-	-	198,059
Net unrealized gains on investments	-	-	-	-	-	-	-	(66,370)	-	332,000	-	-	265,630
Net assets released from restrictions	-	-	-	-	-	(21,825)	-	(303,432)	(992,406)	(88,927)	(65,228)	-	(1,471,818)
Increase (decrease) in temporarily restricted net assets	-	-	-	-	-	5,967	-	(67,139)	(4,314)	369,585	76,717	-	380,816
Permanently restricted net assets													
Investment income	-	-	-	-	-	-	-	114	-	(1,538)	-	-	(1,424)
Net unrealized losses on investment	-	-	-	-	-	-	-	366	-	-	-	-	366
Donations and other net	-	-	-	-	-	-	-	-	-	15,951	-	-	15,951
Increase in permanently restricted net assets	-	-	-	-	-	-	-	480	-	14,413	-	-	14,893
Increase (decrease) in net assets	535,369	(29,071,215)	7,347,550	22,300,831	1,112,535	(31,843)	(49,793)	2,854,335	17,355,186	10,701,187	(401,542)	853,126	32,391,391
Net assets at beginning of year	38,490,957	29,071,215	-	-	67,552,178	447,054	116,819	47,087,327	321,021,181	100,715,067	8,932,860	-	445,877,480
Net assets at end of year	\$ 39,026,326	\$ -	\$ 7,347,550	\$ 22,300,831	\$ 68,664,713	\$ 410,211	\$ 67,026	\$ 49,941,662	\$ 238,376,367	\$ 111,416,554	\$ 8,531,318	\$ 853,126	\$ 478,268,871

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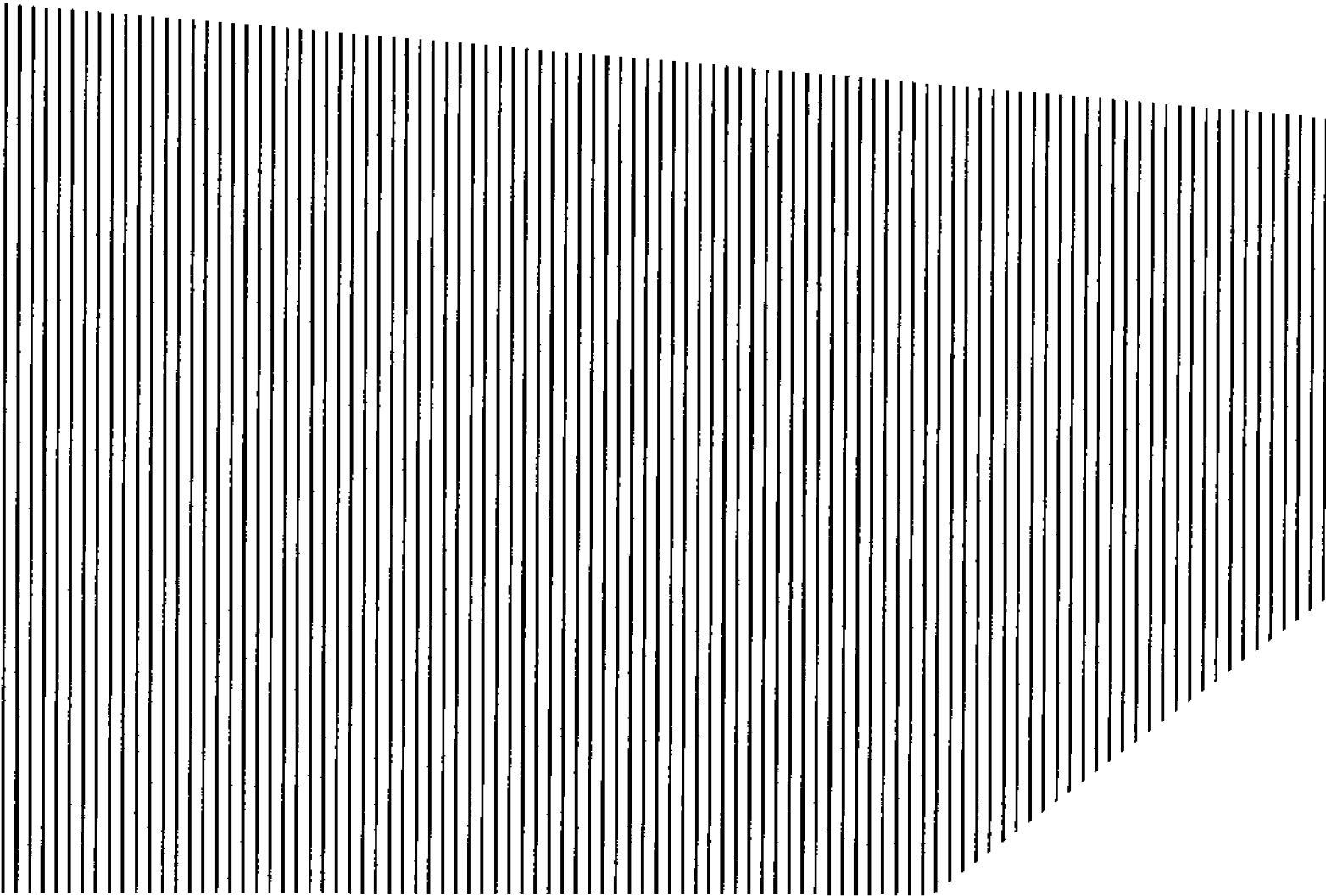
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Additional Data

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Software Version:
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Name: MADISON ST JOSEPH HEALTH CENTER

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

(A) Name and Title	(B) Average hours per week (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			
GEORGE NELSON CHAIRPERSON	2 00 14 00	X		X				0	0	0
JAMES E BLAIR III VICE CHAIRPERSON	1 00 6 00	X		X				0	0	0
BRYAN COLE PHD SECRETARY	1 00 6 00	X		X				0	0	0
PAUL BATISTA TRUSTEE	1 00 6 00	X						0	0	0
MARY BROUSSARD TRUSTEE	1 00 6 00	X						0	0	0
MICHAEL COHEN MD TRUSTEE	1 00 6 00	X						0	0	0
CAROLINE MCDONALD TRUSTEE	1 00 6 00	X						0	0	0
ANTHONY MORELOS TRUSTEE	1 00 6 00	X						0	0	0
TIMOTHY RABROKER TRUSTEE	1 00 6 00	X						0	0	0
REBA RAGSDALE TRUSTEE	1 00 6 00	X						0	0	0
MICHAEL STEINES MD TRUSTEE	1 00 46 00	X						0	272,153	26,558
ROBERT UPCHURCH TRUSTEE	1 00 6 00	X						0	0	0
SR NANCY SURMA OSF EX-OFFICIO TRUSTEE	1 00 46 00	X						0	175,882	6,272
JAMES W POPE EX-OFFICIO TRUSTEE	1 00 46 00	X						0	758,842	45,245
ODETTE BOLANO CEO, SJHS, EX-OFFICIO TRUSTEE	1 00 48 00	X		X				0	279,169	116,083
DAVE WARD TRUSTEE - 1ST PART YEAR	1 00 0 00	X						0	0	0
DEBRA DRAKE TRUSTEE - 1ST PART YEAR	1 00 0 00	X						0	0	0
FR MICHAEL BARONE TRUSTEE - 1ST PART YEAR	1 00 0 00	X						0	0	0
DUANE STANDLEY TRUSTEE - 1ST PART YEAR	1 00 0 00	X						0	0	0
GROVER HUBLEY MD TRUSTEE - 1ST PART YEAR	1 00 0 00	X						0	0	0
ANTHONY D PFITZER FORMER CEO, SJHS, EX-OFFICIO TRUSTEE	1 00 48 00			X				0	683,353	562,892
KATHLEEN KRUSIE CEO/COO	1 00 45 00			X				0	358,410	41,585
GARY MARK MONTGOMERY MD SR VP/CMO	1 00 45 00			X				0	358,010	23,105
DORIS REDMAN VP/PATIENT SERVICES/CNE	1 00 45 00			X				0	272,491	41,047
ALAN HURLEY SR VP/MEDICAL PRACTICES	1 00 43 00			X				0	244,007	27,996

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			
MICHAEL RUSSO VP/INFORMATION SERVICES	1 00 45 00			X				0	223,319	48,747
MICHAEL COSTA VP/HUMAN RESOURCES	1 00 45 00			X				0	223,443	53,206
LISA MCAIR FORMER SR VP/CFO	1 00 46 00			X				0	283,575	28,858
DON KIRK CRISTY VP/REVENUE MANAGEMENT	1 00 45 00			X				0	190,376	45,700
STEVE CRICHTON VP/SUPPORT SERVICES	1 00 45 00			X				0	185,947	49,153
TIM OTTINGER VP/COMMUNITY RELATIONS	1 00 45 00			X				0	145,349	30,938
JON TURTON FORMER VP/CLINICAL SERVICES	1 00 45 00			X				0	46,545	8,856
RICARDO DIAZ VP/CLINICAL SERVICES	1 00 45 00			X				0	86,270	5,381
SR PENNY DUNN VP/MISSION INTEGRATION	1 00 45 00			X				0	113,691	5,983
REED EDMUNDSON ADMINISTRATOR	1 00 40 00			X				0	228,844	40,769
ALAN TOWNSEND INTERIM CFO	1 00 45 00			X				0	179,426	0