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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 07-01-2012 , 2012, and ending 06-30-2013

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
ST JOSEPH REGIONAL HEALTH NETWORK

Doing Business As
ST JOSEPH MEDICAL CENTER

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2500 BERNVILLE ROAD

City or town, state or country, and ZIP + 4
READING, PA 19605

D Employer identification number
23-1352211

E Telephone number
(610) 378-2300

G Gross receipts $ 214,177,761

F Name and address of principal officer
JOHN MORAHAN
2500 BERNVILLE ROAD
READING,PA 19605

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW THEFUTUREOFHEALTHCARE ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1889 | **M** State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
WE BUILD HEALTHIER LIVES IN PATIENTS, STAFF, AND VOLUNTEERS THROUGH OUR COMPASSION, EXCELLENCE, AND QUALITY OF CARE TO ALL, WE PROMOTE HEALTHY COMMUNITIES THROUGH OUR SERVICE AND EDUCATION, EMPHASIZING WELLNESS

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	12
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	1,700
6	Total number of volunteers (estimate if necessary)	**6**	350
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	269,900
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue **8**	Contributions and grants (Part VIII, line 1h)	1,953,683	1,873,980
9	Program service revenue (Part VIII, line 2g)	206,225,533	207,935,351
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	313,534	234,399
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,586,549	4,133,528
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	213,079,299	214,177,258
Expenses **13**	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	11,958,611	14,698,888
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	82,186,471	82,911,773
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	116,724,037	114,833,203
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	210,869,119	212,443,864
19	Revenue less expenses Subtract line 18 from line 12	2,210,180	1,733,394

		Beginning of Current Year	End of Year
Net Assets or Fund Balances **20**	Total assets (Part X, line 16)	197,344,811	199,865,968
21	Total liabilities (Part X, line 26)	154,864,606	156,556,657
22	Net assets or fund balances Subtract line 21 from line 20	42,480,205	43,309,311

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2014-05-13

DAVID LIM CFO/SECRETARY/TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Mark Stocki				P00642127

Firm's name ▶ CATHOLIC HEALTH INITIATIVES | Firm's EIN ▶ 47-0617373

Firm's address ▶ 198 INVERNESS DRIVE WEST
ENGLEWOOD, CO 80112 | Phone no (303) 298-9100

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

THE ORGANIZATION'S MISSION IS TO NURTURE THE HEALING MINISTRY OF THE CHURCH BY BRINGING IT NEW LIFE, ENERGY AND VIABILITY IN THE 21ST CENTURY FIDELITY TO THE GOSPEL URGES US TO EMPHASIZE HUMAN DIGNITY AND SOCIAL JUSTICE AS WE MOVE TOWARD THE CREATION OF HEALTHIER COMMUNITIES

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 $ 181,424,301 including grants of $ 14,698,888) (Revenue $ 207,665,442)

SEE SCHEDULE H

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 181,424,301

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	0		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1,700		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)		2b	Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .		3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O		13a		
b	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	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .		14b		

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a** 16		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ 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 ▶ DAVID LIM 2500 BERNVILLE ROAD READING, PA (610) 378-2300

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

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

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

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

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

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

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

(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			
(1) BRUCE SMITH CHAIR	2 00 0	X		X				0	0	0
(2) JOHN MORAHAN PRESIDENT, CEO	40 00 7 00	X		X				0	580,213	79,431
(3) PETER CONNORS VICE CHAIR	2 00 2 00	X		X				0	0	0
(4) ANDREW ROTHERMEL BOARD MEMBER	2 00 0	X						0	0	0
(5) CARL BOTTERBUSCH BOARD MEMBER	2 00 0	X						0	0	0
(6) HEIDI B MASANO BOARD MEMBER	2 00 0	X						0	0	0
(7) IVAN TORRES BOARD MEMBER	2 00 0	X						0	0	0
(8) J ANDREW WEIDMAN BOARD MEMBER	2 00 0	X						0	0	0
(9) JOSEPH MARIGLIO BOARD MEMBER	2 00 0	X						0	0	0
(10) LINDA LUDGATE BOARD MEMBER	2 00 0	X						0	0	0
(11) LOUIS BORGATTA BOARD MEMBER	2 00 0	X						0	0	0
(12) MARY ELIZABETH O'BRIEN Board member/SR VP OPERATIONS	2 00 58 00	X						0	924,954	116,308
(13) ROBERT K HIPPERT BOARD MEMBER	2 00 0	X						0	0	0
(14) ROBERT P FLICKER BOARD MEMBER	2 00 0	X						0	0	0
(15) SR CLARE CHRISTI SCHIEFER BOARD MEMBER	2 00 0	X						0	0	0
(16) STEPHEN NAJARIAN BOARD MEMBER	2 00 0	X						0	0	0
(17) DAVID LIM CFO\Secretary\Treasurer	40 00 7 00			X				288,786	0	50,592

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

(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			
(18) HOWARD DAVIS VP MEDICAL AFFAIRS/CMO	40 00 0				X			244,864	0	28,551
(19) KELLY ALTLAND VP OF DEVELOPMENT	2 00 40 00				X			179,886	0	36,008
(20) SCOTT MENGLE VP OF HUMAN RESOURCES	40 00 0				X			200,307	0	40,556
(21) SHARON STROHECKER VICE PRESIDENT	40 00 0				X			252,795	0	43,092
(22) B MUVDI PHYSICIAN-INTERNAL MED-GENERAL	0 40 00					X		1,572	366,690	40,993
(23) MICHAEL BRADLEY ASSOCIATE DIRECTOR	40 00 0					X		261,453	0	45,858
(24) PAMELA TAFFERA HOSPITALIST	40 00 0					X		233,361	0	28,530
(25) PEARL PAKDI PHYSICIAN	40 00 0					X		299,345	0	32,205
(26) VIJAY SINGH PHYSICIAN-INTERNAL MED-GENERAL	0 40 00					X		785	298,676	40,993
(27) DOUGLAS AZAR Former SVP OPERATIONS	0 00 0						X	114,827	0	25,598
(28) SAMUEL ALFANO Former VP OF MEDICAL AFFAIRS	0 00 0						X	0	375,748	44,515
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,077,981	2,546,281	653,230

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 45

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
PRECYSE SOLUTIONS 1275 DRUMMERS LANE WAYNE PA 19087	MEDICAL RECORDS/TRANSCRIPTION	2,331,527
SODEXHO INC & AFFILIATES 9801 WASHINGTON BLVD GAITHERSBURG MD 20878	FOOD/HOUSEKEEPING SERVICES	1,783,311
HCSC BLOOD SERVICES 1465 VALLEY CENTER PARKWAY BETHLEHEM PA 18017	BLOOD SERVICES	1,285,861
EMERGENCY PHYS ASSOCIATES OF PA PO BOX 635016 CINCINNATI OH 452635016	PHYSICIAN SERVICES	1,206,704
HCSC LAUNDRY 2171 28TH ST ALLENTOWN PA 181037073	LAUNDRY SERVICES	766,496

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 32

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	1,616,996			
	e	Government grants (contributions)	1e	228,697			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	28,287			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			1,873,980		
Program Service Revenue			Business Code				
	2a	PATIENT SERVICES	900099	207,075,472	206,805,563	269,909	
	b	RENTAL INCOME	900099	854,883	854,883		
	c	EQUITY CHANGES OF UNCONSOLIDATED ORGS	900099	4,996	4,996		
	d			0			
	e			0			
	f	All other program service revenue		0	0	0	0
	g	**Total.** Add lines 2a–2f		207,935,351			
	3	Investment income (including dividends, interest, and other similar amounts)		209,324		-9	209,333
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)	0	0			
	d	Net rental income or (loss)			0		
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	9,853	15,725			
	b	Less cost or other basis and sales expenses		503			
	c	Gain or (loss)	9,853	15,222			
	d	Net gain or (loss)			25,075		25,075
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events			0		
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities			0		
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory			0		
		Miscellaneous Revenue	Business Code				
	11a	PREMIUM REVENUE	900099	1,745,129			1,745,129
	b	LEASED EMPLOYEES	561300	1,109,730			1,109,730
	c	CAFETERIA	722100	879,506			879,506
	d	All other revenue		399,163	0	0	399,163
	e	**Total.** Add lines 11a–11d			4,133,528		
	12	**Total revenue.** See Instructions			214,177,258	207,665,442	269,900	4,367,936

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	14,698,888	14,698,888		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	777,919		777,919	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	63,789,873	62,117,925	1,671,948	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	3,596,515	3,576,379	20,136	
9 Other employee benefits	9,962,645	9,273,697	688,948	
10 Payroll taxes	4,784,821	4,643,465	141,356	
11 Fees for services (non-employees)				
a Management	0			
b Legal	415,427		415,427	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	21,702,015	19,155,115	2,546,900	0
12 Advertising and promotion	909,281		909,281	
13 Office expenses	5,219,369	4,810,155	409,214	
14 Information technology	9,246,779	372,215	8,874,564	
15 Royalties . .	0			
16 Occupancy	3,966,086	5,040,375	-1,074,289	
17 Travel	340,683	265,434	75,249	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	80,116	13,599	66,517	
20 Interest	7,060,956	7,060,956		
21 Payments to affiliates	4,846,517		4,846,517	
22 Depreciation, depletion, and amortization	9,360,313	4,499,439	4,860,874	
23 Insurance	2,234,409	406,005	1,828,404	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL SUPPLIES	31,230,329	31,230,329		
b BAD DEBTS	11,716,966	11,716,966		
c REPAIRS AND MAINTENANCE	1,306,942	1,289,696	17,246	
d UNRELATED BUSINESS TAXES	1,400		1,400	
e All other expenses	5,195,615	1,253,663	3,941,952	0
25 **Total functional expenses.** Add lines 1 through 24e	212,443,864	181,424,301	31,019,563	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 ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

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		6,212	1	5,413
	2	Savings and temporary cash investments		18,806,962	2	9,517,930
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		26,318,392	4	25,761,276
	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	0
	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	0
	7	Notes and loans receivable, net		123,005	7	95,716
	8	Inventories for sale or use		3,540,945	8	4,174,448
	9	Prepaid expenses and deferred charges		769,943	9	680,281
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 222,884,957			
	b	Less accumulated depreciation	10b 80,618,506	146,369,894	10c	142,266,451
	11	Investments—publicly traded securities		233,341	11	227,635
	12	Investments—other securities See Part IV, line 11		863,769	12	15,695,612
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		312,348	15	1,441,206
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		197,344,811	16	199,865,968
Liabilities	17	Accounts payable and accrued expenses		9,483,747	17	12,093,075
	18	Grants payable			18	
	19	Deferred revenue		36,943	19	77,912
	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	0
	23	Secured mortgages and notes payable to unrelated third parties		0	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		145,343,916	25	144,385,670
	26	**Total liabilities.** Add lines 17 through 25		154,864,606	26	156,556,657
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		42,023,897	27	42,858,066
	28	Temporarily restricted net assets		456,308	28	451,245
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		42,480,205	33	43,309,311
	34	Total liabilities and net assets/fund balances		197,344,811	34	199,865,968

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	214,177,258
2	Total expenses (must equal Part IX, column (A), line 25)	2	212,443,864
3	Revenue less expenses Subtract line 2 from line 1	3	1,733,394
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	42,480,205
5	Net unrealized gains (losses) on investments	5	-241,608
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	-662,680
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	43,309,311

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

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?

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(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** ▶☐

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

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
ST JOSEPH REGIONAL HEALTH NETWORK	23-1352211

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? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt 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? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
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-		

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

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
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?	Yes		16,827
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		5,480
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total Add lines 1c through 1i			22,307
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
Description of the activities reported on Lines 1a through 1i	Schedule C, Part II-B, Line 1	LINE 1F THE PORTION OF ORGANIZATION DUES THAT ARE RELATED TO LOBBYING ARE AS FOLLOWS HOSPITAL & HEALTH SYSTEM ASSOCIATION OF PENNSYLVANIA- $12,129 AMERICAN HOSPITAL ASSOCIATION - $3,385 CATHOLIC HEALTH ASSOCIATION - $1,313 LINE 1G THE ORGANIZATION INCURS COSTS FOR LEGISLATIVE ADVOCACY EFFORTS WITH VARIOUS CONGRESSMEN AND OTHERS, INCLUDING THE FOLLOWING ACTIVITIES - ATTEND FUNDRAISING RECEPTIONS - MEETINGS WITH LEGISLATURES REGARDING GEOGRAPHICAL RECLASSIFICATION - HOSPITAL AND MEDICAL ASSOCIATION BREAKFAST WITH LEGISLATORS

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

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

b If "Yes," explain the arrangement in Part 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		4,172,218		4,172,218
b Buildings		150,600,171	28,830,890	121,769,281
c Leasehold improvements		4,860,168	3,332,089	1,528,079
d Equipment		60,332,727	48,336,151	11,996,576
e Other		2,919,673	119,376	2,800,297
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				142,266,451

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives	0	
(2) Closely-held equity interests	0	
(3) Other		
(A) CHI OIP - FIXED INCOME	7,875,203	F
(B) CHI OIP - EQUITY SECURITIES	7,820,409	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	15,695,612	

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

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

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

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	144,385,670

2. FIN 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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
FIN 48 (ASC 740) footnote	Schedule D, Part X, Line 2	ST JOSEPH REGIONAL HEALTH NETWORK'S FINANCIAL INFORMATION IS INCLUDED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION CHI'S FIN 48 (ASC 740) FOOTNOTE FOR THE YEAR ENDED JUNE 30, 2013, READS AS FOLLOWS "CHI IS A TAX-EXEMPT COLORADO CORPORATION AND HAS BEEN GRANTED AN EXEMPTION FROM FEDERAL INCOME TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE CHI OWNS CERTAIN TAXABLE SUBSIDIARIES AND ENGAGES IN CERTAIN ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE AND THEREFORE SUBJECT TO INCOME TAX MANAGEMENT REVIEWS ITS TAX POSITIONS ANNUALLY AND HAS DETERMINED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS "

Additional Data

Software ID: 12000266
Software Version: v2012.1.0
EIN: 23-1352211
Name: ST JOSEPH REGIONAL HEALTH NETWORK

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

1 (a) Description of Liability	(b) Book Value
CHI DEBT MANAGEMENT PROGRAM	129,415,022
BUILDING PROJECT LEASE	10,303,963
CAPITAL LEASE FOR DAYCARE	2,042,331
INTERCOMPANY PAYABLES	1,438,429
RAC TAKEBACKS	574,142
CGH COST REPORT SETTLEMENTS	307,828
ESCROW FOR CGH TRUSTS	227,635
MEDICARE	50,000
UNCLAIMED PROPERTY	24,580
PARKING SECURITY DEPOSITS	1,740

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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
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

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			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a		No
	☐ 100% ☐ 150% ☐ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b		No
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ 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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
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	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

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)		1,419	893,768		893,768	0 450 %
b Medicaid (from Worksheet 3, column a)		64,279	34,732,480	27,831,029	6,901,451	3 440 %
c Costs of other means-tested government programs (from Worksheet 3, column b)					0	0 %
d **Total** Financial Assistance and Means-Tested Government Programs	0	65,698	35,626,248	27,831,029	7,795,219	3 890 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	30	11,513	140,143		140,143	0 070 %
f Health professions education (from Worksheet 5)	7	193	173,609		173,609	0 090 %
g Subsidized health services (from Worksheet 6)					0	0 %
h Research (from Worksheet 7)	1	188	5,841		5,841	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	23	595,950	160,486		160,486	0 080 %
j **Total.** Other Benefits	61	607,844	480,079	0	480,079	0 240 %
k **Total.** Add lines 7d and 7j	61	673,542	36,106,327	27,831,029	8,275,298	4 130 %

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					0	0 %
2	Economic development					0	0 %
3	Community support	2	22,120	10,350	0	10,350	0 %
4	Environmental improvements					0	0 %
5	Leadership development and training for community members					0	0 %
6	Coalition building					0	0 %
7	Community health improvement advocacy	1	100	1,222	0	1,222	0 %
8	Workforce development					0	0 %
9	Other	2	2,020	1,893	0	1,893	0 %
10	**Total**	5	24,240	13,465	0	13,465	0 %

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 Heathcare 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	11,716,966		
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	42,510,282
6	Enter Medicare allowable costs of care relating to payments on line 5	6	41,124,287
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	1,385,995
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
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	ST JOSEPH MEDICAL CENTER 2500 BERNVILLE ROAD READING, PA 19605 WWW THE FUTUREOFHEALTHCARE ORG	X	X		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)

Name of hospital facility or facility reporting group ST JOSEPH MEDICAL CENTER

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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**	Yes	
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**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**	Yes	
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**		No
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 *free* care?	**10**		No
If "Yes," indicate the FPG family income limit for eligibility for free care __% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**		No
If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Other (describe in Part VI)			
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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☐ Notified individuals of the financial assistance policy prior to discharge
- **c** ☐ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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?
15

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Eligibility criteria for free or discounted care	Schedule H, Part I, Line 3c	WHEN CATHOLIC HEALTH INITIATIVES (THE ULTIMATE PARENT ORGANIZATION TO ST JOSEPH REGIONAL HEALTH NETWORK) ESTABLISHED ITS FINANCIAL ASSISTANCE POLICY IT WAS DETERMINED THAT ESTABLISHING A HOUSEHOLD INCOME SCALE BASED ON THE HUD VERY LOW INCOME GUIDELINES MORE ACCURATELY REFLECTS THE SOCIOECONOMIC DISPERSIONS AMONG THE URBAN AND RURAL COMMUNITIES IN 17 STATES SERVED BY CHI HOSPITALS AND HEALTH CARE FACILITIES IN COMPARING HUD GUIDELINES TO THE FEDERAL POVERTY GUIDELINES ("FPG"), WE FIND THAT ON AVERAGE HUD GUIDELINES COMPUTE TO APPROXIMATELY 200% TO 250% (AND SOMETIMES 300%) OF FPG ST JOSEPH REGIONAL HEALTH NETWORK (SJRHN) BASES ITS FINANCIAL ASSISTANCE ELIGIBILITY ON HUD'S 130% OF VERY LOW INCOME GUIDELINES BASED ON GEOGRAPHY, AND AFFORDS THE UNINSURED AND UNDERINSURED THE ABILITY TO OBTAIN FINANCIAL ASSISTANCE WRITE-OFFS, BASED ON A SLIDING SCALE, RANGING FROM 55%-100% OF CHARGES AN INDIVIDUAL'S INCOME UNDER THE HUD GUIDELINES IS A SIGNIFICANT FACTOR IN DETERMINING ELIGIBILITY FOR FINANCIAL ASSISTANCE HOWEVER, IN DETERMINING WHETHER TO EXTEND DISCOUNTED OR FREE CARE TO A PATIENT, THE PATIENT'S ASSETS MAY ALSO BE TAKEN INTO CONSIDERATION FOR EXAMPLE, A PATIENT SUFFERING A CATASTROPHIC ILLNESS MAY HAVE A REASONABLE LEVEL OF INCOME, BUT A LOW LEVEL OF LIQUID ASSETS SUCH THAT THE PAYMENT OF MEDICAL BILLS WOULD BE SERIOUSLY DETRIMENTAL TO THE PATIENT'S BASIC FINANCIAL (AND ULTIMATELY PHYSICAL) WELL-BEING AND SURVIVAL SUCH A PATIENT MAY BE EXTENDED DISCOUNTED OR FREE CARE BASED UPON THE FACTS AND CIRCUMSTANCES
COMMUNITY BENEFIT REPORT	SCHEDULE H, PART I, LINE 6A	SJRHN PREPARES ITS OWN ANNUAL WRITTEN COMMUNITY BENEFIT REPORT ITS COMMUNITY BENEFIT REPORT IS NOT CONTAINED IN THAT OF A RELATED ORGANIZATION

Identifier	ReturnReference	Explanation
Costing Methodology used to calculate financial assistance	Schedule H, Part I, Line 7	A COST ACCOUNTING SYSTEM WAS NOT USED TO COMPUTE AMOUNTS IN THE TABLE, RATHER COSTS IN THE TABLE WERE COMPUTED USING THE ORGANIZATION'S COST-TO-CHARGE RATIO THE COST-TO-CHARGE RATIO COVERS ALL PATIENT SEGMENTS BASED ON THAT FORMULA, [$180,261,907 / $623,195,422] RESULTS IN A 28 93% COST-TO-CHARGE RATIO WORKSHEET 2 WAS NOT USED TO DERIVE THE COST-TO-CHARGE RATIO
Bad Debt Expense excluded from financial assistance calculation	Schedule H, Part I, Line 7, column(f)	11,716,966

Identifier	ReturnReference	Explanation
Subsidized Health Services	Schedule H, Part I, Line 7g	THERE ARE NO PHYSICIAN CLINICS INCLUDED IN SUBSIDIZED HEALTH SERVICES
Bad debt expense - financial statement footnote	Schedule H, Part III, Line 4	ST JOSEPH REGIONAL HEALTH NETWORK (SJRHN) DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SINCE AMOUNTS DUE FROM THOSE INDIVIDUALS' ACCOUNTS WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS FOLLOWING THE DATE THAT THE PATIENT IS DETERMINED TO QUALIFY FOR CHARITY CARE SJRHN DOES NOT ISSUE SEPARATE COMPANY AUDITED FINANCIAL STATEMENTS HOWEVER, THE ORGANIZATION IS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF CATHOLIC HEALTH INITIATIVES THE CONSOLIDATED FOOTNOTE READS AS FOLLOWS "THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS, TAKING INTO CONSIDERATION HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS MANAGEMENT ROUTINELY ASSESSES THE ADEQUACY OF THE ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THESE REVIEWS ARE USED TO MODIFY, AS NECESSARY, THE PROVISION FOR BAD DEBTS AND TO ESTABLISH APPROPRIATE ALLOWANCES FOR UNCOLLECTIBLE NET PATIENT ACCOUNTS RECEIVABLE AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, CHI FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN PATIENT BALANCES WITH COLLECTION AGENCIES, SUBJECT TO THE TERMS OF CERTAIN RESTRICTIONS ON COLLECTION EFFORTS AS DETERMINED BY EACH FACILITY IN ACCORDANCE WITH ACCOUNTING STANDARDS UPDATE (ASU) NO 2011-07, PRESENTATION AND DISCLOSURE OF PATIENT SERVICES REVENUE, PROVISION FOR BAD DEBTS, AND ALLOWANCES FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH ENTITIES, THE PROVISION FOR BAD DEBTS IS PRESENTED ON THE CONSOLIDATED STATEMENT OF OPERATIONS AS A DEDUCTION FROM PATIENT SERVICES REVENUES (NET OF CONTRACTUAL ALLOWANCES AND DISCOUNTS) SINCE CHI ACCEPTS AND TREATS ALL PATIENTS WITHOUT REGARD TO THE ABILITY TO PAY "

Identifier	ReturnReference	Explanation
Community benefit & methodology for determining medicare costs	Schedule H, Part III, Line 8	USING ESSENTIALLY THE SAME MEDICARE COST REPORT PRINCIPLES AS TO THE ALLOCATION OF GENERAL SERVICES COSTS AND "APPORTIONMENT" METHODS, THE "CHI WORKBOOK" CALCULATES A PAYERS' GROSS ALLOWABLE COSTS BY SERVICE (SO AS TO FACILITATE A CORRESPONDING COMPARISON BETWEEN GROSS ALLOWABLE COSTS AND ULTIMATE PAYMENTS RECEIVED) THE TERM "GROSS ALLOWABLE COSTS" MEANS COSTS BEFORE ANY DEDUCTIBLES OR CO-INSURANCE ARE SUBTRACTED ST JOSEPH REGIONAL HEALTH NETWORK'S ULTIMATE REIMBURSEMENT WILL BE REDUCED BY ANY APPLICABLE COPAYMENT/ DEDUCTIBLE WHERE MEDICARE IS THE SECONDARY INSURER, AMOUNTS DUE FROM THE INSURED'S PRIMARY PAYER WERE NOT SUBTRACTED FROM MEDICARE ALLOWABLE COSTS BECAUSE THE AMOUNTS ARE TYPICALLY IMMATERIAL ALTHOUGH NOT PRESENTED ON THE MEDICARE COST REPORT, IN ORDER TO FACILITATE A MORE ACCURATE UNDERSTANDING OF THE "TRUE" COST OF SERVICES (FOR "SHORTFALL" PURPOSES) THE CHI WORKBOOK ALLOWS A HEALTH CARE FACILITY NOT TO OFFSET COSTS THAT MEDICARE CONSIDERS TO BE NON-ALLOWABLE, BUT FOR WHICH THE FACILITY CAN LEGITIMATELY ARGUE ARE RELATED TO THE CARE OF THE FACILITY'S PATIENTS IN ADDITION, ALTHOUGH NOT REPORTABLE ON THE MEDICARE COST REPORT, THE CHI WORKBOOK INCLUDES THE COST OF SERVICES THAT ARE PAID VIA A SET FEE-SCHEDULE RATHER THAN BEING REIMBURSED BASED ON COSTS (E G OUTPATIENT CLINICAL LABORATORY) FINALLY, THE CHI WORKBOOK ALLOWS A FACILITY TO INCLUDE OTHER HEALTH CARE SERVICES PERFORMED BY A SEPARATE FACILITY (SUCH AS A PHYSICIAN PRACTICE) THAT ARE MAINTAINED ON SEPARATE BOOKS AND RECORDS (AS OPPOSED TO THE MAIN FACILITY'S BOOKS AND RECORDS WHICH HAS ITS COSTS OF SERVICE INCLUDED WITHIN A COST REPORT) TRUE COSTS OF MEDICARE COMPUTED USING THIS METHODOLOGY TOTAL MEDICARE REVENUE $47,183,035 TOTAL MEDICARE COSTS $51,339,332 SURPLUS OR SHORTFALL $(4,156,297) ST JOSEPH REGIONAL HEALTH NETWORK BELIEVES THAT EXCLUDING MEDICARE LOSSES FROM COMMUNITY BENEFIT MAKES THE OVERALL COMMUNITY BENEFIT REPORT MORE CREDIBLE FOR THESE REASONS UNLIKE SUBSIDIZED AREAS SUCH AS BURN UNITS OR BEHAVIORAL-HEALTH SERVICES, MEDICARE IS NOT A DIFFERENTIATING FEATURE OF TAX-EXEMPT HEALTH CARE ORGANIZATIONS IN FACT, FOR-PROFIT HOSPITALS FOCUS ON ATTRACTING PATIENTS WITH MEDICARE COVERAGE, ESPECIALLY IN THE CASE OF WELL-PAID SERVICES THAT INCLUDE CARDIAC AND ORTHOPEDICS SIGNIFICANT EFFORT AND RESOURCES ARE DEVOTED TO ENSURING THAT HOSPITALS ARE REIMBURSED APPROPRIATELY BY THE MEDICARE PROGRAM THE MEDICARE PAYMENT ADVISORY COMMISSION (MEDPAC), AN INDEPENDENT CONGRESSIONAL AGENCY, CAREFULLY STUDIES MEDICARE PAYMENT AND THE ACCESS TO CARE THAT MEDICARE BENEFICIARIES RECEIVE THE COMMISSION RECOMMENDS PAYMENT ADJUSTMENTS TO CONGRESS ACCORDINGLY THOUGH MEDICARE LOSSES ARE NOT INCLUDED BY CATHOLIC HOSPITALS AS COMMUNITY BENEFIT, THE CATHOLIC HEALTH ASSOCIATION GUIDELINES ALLOW HOSPITALS TO COUNT AS COMMUNITY BENEFIT SOME PROGRAMS THAT SPECIFICALLY SERVE THE MEDICARE POPULATION FOR INSTANCE, IF HOSPITALS OPERATE PROGRAMS FOR PATIENTS WITH MEDICARE BENEFITS THAT RESPOND TO IDENTIFIED COMMUNITY NEEDS, GENERATE LOSSES FOR THE HOSPITAL, AND MEET OTHER CRITERIA, THESE PROGRAMS CAN BE INCLUDED IN THE CHA FRAMEWORK IN CATEGORY C AS "SUBSIDIZED HEALTH SERVICES " MEDICARE LOSSES ARE DIFFERENT FROM MEDICAID LOSSES, WHICH ARE COUNTED IN THE CHA COMMUNITY BENEFIT FRAMEWORK, BECAUSE MEDICAID REIMBURSEMENTS GENERALLY DO NOT RECEIVE THE LEVEL OF ATTENTION PAID TO MEDICARE REIMBURSEMENT MEDICAID PAYMENT IS LARGELY DRIVEN BY WHAT STATES CAN AFFORD TO PAY, AND IS TYPICALLY SUBSTANTIALLY LESS THAN WHAT MEDICARE PAYS
Collection practices for patients eligible for financial assistance	Schedule H, Part III, Line 9b	ST JOSEPH REGIONAL HEALTH NETWORK'S (SJRHN) DEBT COLLECTION POLICY PROVIDES THAT SJRHN WILL PERFORM A REASONABLE REVIEW OF EACH INPATIENT ACCOUNT PRIOR TO TURNING AN ACCOUNT FOR TO A THIRD-PARTY COLLECTION AGENT AND PRIOR TO INSTITUTING ANY LEGAL ACTION FOR NON-PAYMENT, TO ASSURE THAT THE PATIENT AND PATIENT GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSISTANCE PROGRAM (E G MEDICAID) AND DO NOT QUALIFY FOR COVERAGE THROUGH ST JOSEPH MEDICAL CENTER'S COMMUNITY ASSISTANCE POLICY AFTER HAVING BEEN TURNED OVER TO A THIRD-PARTY COLLECTION AGENT, ANY PATIENT ACCOUNT THAT IS SUBSEQUENTLY DETERMINED TO MEET SJRHN COMMUNITY ASSISTANCE POLICY IS REQUIRED TO BE RETURNED IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO SJRHN FOR APPROPRIATE FOLLOW-UP SJRHN REQUIRES ITS THIRD-PARTY COLLECTION AGENTS TO INCLUDE A MESSAGE ON ALL STATEMENTS INDICATING THAT IF A PATIENT OR PATIENT GUARANTOR MEETS CERTAIN STIPULATED INCOME REQUIREMENTS, THE PATIENT OR PATIENT GUARANTOR MAY BE ELIGIBLE FOR FINANCIAL ASSISTANCE ALL OF CATHOLIC HEALTH INITIATIVES' HOSPITALS' CONTRACTS WITH THIRD PARTY COLLECTION AGENCIES INCLUDE THE FOLLOWING STANDARDS * NEITHER CHI HOSPITALS NOR THEIR COLLECTION AGENCIES WILL REQUEST BENCH OR ARREST WARRANTS AS A RESULT OF NON-PAYMENT, * NEITHER CHI HOSPITALS NOR THEIR COLLECTION AGENCIES WILL SEEK LIENS THAT WOULD REQUIRE THE SALE OR FORECLOSURE OF A PRIMARY RESIDENCE, AND * NO CATHOLIC HEALTH INITIATIVES' COLLECTION AGENCY MAY SEEK COURT ACTION WITHOUT HOSPITAL APPROVAL FINALLY, COLLECTION AGENCIES ARE TRAINED ON THE CATHOLIC HEALTH INITIATIVES MISSION, CORE VALUES AND STANDARD OF CONDUCT TO MAKE SURE ALL PATIENTS ARE TREATED WITH DIGNITY AND RESPECT

Identifier	ReturnReference	Explanation
Community Served by Needs Assessment	Schedule H, Part V Section B, Line 3	(1) ST JOSEPH MEDICAL CENTER - THIS NEEDS ASSESSMENT WAS OVERSEEN BY A STEERING COMMITTEE OF REPRESENTATIVES FROM ST JOSEPH REGIONAL HEALTH NETWORK, BERKS COUNTY COMMUNITY FOUNDATION, READING HEALTH SYSTEM, AND UNITED WAY OF BERKS COUNTY AN ADVISORY COMMITTEE OF 17 REPRESENTATIVES FROM BERKS COUNTY COMMUNITY ORGANIZATIONS WAS APPOINTED BY THE STEERING COMMITTEE TO PROVIDE INPUT FROM THE COMMUNITY THE ADVISORY COMMITTEE SUPPLIED GUIDANCE AT ALL STAGES OF THE NEEDS ASSESSMENT PROCESS ADVISORY BOARD INDIVIDUALS REPRESENTING ORGANIZATIONS WITH FIRST-HAND KNOWLEDGE OF COMMUNITY HEALTH NEEDS INCLUDED PRIMARY CARE AND SPECIALTY PHYSICIANS, LOCAL FQHC, COUNTY MENTAL HEALTH, WELLNESS SERVICES FOR HIV/AIDS, HISPANIC CENTER, AND MIGRANT FARM WORKERS, AS WELL AS A DOCTORAL STUDENT IN PUBLIC HEALTH FROM THE LOCAL COLLEGE ,
Other Hospital Facilities included in Needs Assessment	Schedule H, Part V Section B, Line 4	(1) ST JOSEPH MEDICAL CENTER - ST JOSEPH REGIONAL HEALTH NETWORK PARTNERED WITH THE OTHER NON-PROFIT HOSPITAL IN BERKS COUNTY (READING HEALTH SYSTEM) TO CONDUCT THE COMMUNITY HEALTH NEEDS ASSESSMENT THE BERKS COUNTY COMMUNITY FOUNDATION AND UNITED WAY OF BERKS COUNTY WERE ALSO KEY PARTICIPANTS IN THE ASSESSMENT PROCESS ,

Identifier	ReturnReference	Explanation
Used federal poverty guidelines (FPG) to determine eligibility	Schedule H, Part V Section B, Line 10	(1) ST JOSEPH MEDICAL CENTER - HUD LOW INCOME GUIDELINES USED,
Used FPG to determine eligibility for providing discounted care criteria	Schedule H, Part V Section B, Line 11	(1) ST JOSEPH MEDICAL CENTER - HUD LOW INCOME GUIDELINES USED,

Identifier	ReturnReference	Explanation
Means used to determine amounts billed	Schedule H, Part V Section B, Line 20d	(1) ST JOSEPH MEDICAL CENTER - ST JOSEPH REGIONAL HEALTH NETWORK USES THE AVERAGE OF COMMERCIAL PLANS TO DETERMINE THE MAXIMUM AMOUNTS THAT COULD BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE ,
PART VI, LINE I (PART II), AND LINES 2, 4, AND 5	SCHEDULE H, PART VI	ORGANIZATION'S MISSION, VISION, AND TAX-EXEMPT PURPOSE ST JOSEPH MEDICAL CENTER, NOW CALLED ST JOSEPH REGIONAL HEALTH NETWORK (SJRHN), WAS FOUNDED BY THE SISTERS OF ST FRANCIS IN 1873 TO PROVIDE HEALTH CARE SERVICES TO THE PEOPLE OF THE CITY OF READING AS THE ONLY CATHOLIC HOSPITAL TO SERVE THE COMMUNITY, SJRHN EMBRACED THE MISSION OF THE FOUNDING RELIGIOUS CONGREGATION AND IS A MEMBER OF A NATIONAL CATHOLIC HEALTH CARE SYSTEM CALLED CATHOLIC HEALTH INITIATIVES (CHI) FOR GOING ON 142 YEARS, SJRHN HAS SERVED THE ENTIRE READING AND BERKS COMMUNITY WITH A FOCUS ON PROVIDING CARE TO ALL WHO NEED IT WITHOUT REGARD TO ABILITY TO PAY, A PHILOSOPHY THAT HAS DRIVEN THE MISSION OF SJRHN IT'S A MISSION THAT IS AS IMPORTANT TODAY AS IT WAS TO THE SISTERS OF ST FRANCIS 142 YEARS AGO, GIVEN THAT THE CITY OF READING HAS BEEN AMONG THE POOREST CITIES IN AMERICA THIS "DISTINCTION" HAS PROVEN THE NEED FOR HEALTH CARE SERVICES THAT ARE PROVIDED WITH COMPASSION AND WITHOUT DISCRIMINATION ST JOSEPH REGIONAL HEALTH NETWORK IS A NON-PROFIT NETWORK CONSISTING OF ST JOSEPH MEDICAL CENTER, ST JOSEPH DOWNTOWN READING CAMPUS AND ST JOSEPH MEDICAL GROUP THE NETWORK EMPLOYS MORE THAN 1,562 PEOPLE AND IS THE 8TH LARGEST EMPLOYER IN BERKS COUNTY THE NETWORK PROVIDES A FULL-RANGE OF OUTPATIENT AND INPATIENT DIAGNOSTIC, MEDICAL AND SURGICAL SERVICES THROUGH A TWO-CAMPUS SYSTEM, AND 15 OUTPATIENT FACILITIES THAT OFFER URGENT CARE, IMAGING STUDIES, LAB WORK AND OTHER AMBULATORY SERVICES AND PROCEDURES IN BERKS, CHESTER, SCHUYLKILL, AND MONTGOMERY COUNTIES THE MEDICAL CENTER IS LOCATED ON ROUTE 183 IN BERN TOWNSHIP AND IS WIDELY RECOGNIZED FOR ITS MEDICAL AND SURGICAL INNOVATION IN VARIOUS SPECIALTIES, INCLUDING ITS HEART INSTITUTE AND CHEST PAIN CENTER AND ITS CANCER CENTER, IN PARTNERSHIP WITH PENN STATE HERSHEY CANCER INSTITUTE THE 380,000 SQ FT , 212-BED STATE-OF-THE-ART HOSPITAL AND HEALTH CAMPUS OPENED IN LATE 2006 ST JOSEPH'S DOWNTOWN READING CAMPUS AT 6TH AND WALNUT STREETS IS THE LARGEST PRIMARY CARE PROVIDER IN THE CITY OF READING, OPERATING OUT OF A THRIVING 266,000 SQUARE FOOT BUILDING THAT PROVIDES FAMILY PRACTICE, WOMEN'S AND CHILDREN'S SERVICES AND DIAGNOSTIC SERVICES FOR MORE THAN 220,000 PATIENT ENCOUNTERS A YEAR THE FACILITY HAS BEEN LAUDED AS A MODEL FOR INNER CITY PRIMARY CARE MEDICINE ST JOSEPH MEDICAL GROUP IS A NETWORK OF 70 PHYSICIANS AND OTHER HEALTH CARE PROVIDERS THE GROUP INCLUDES SPECIALISTS IN INTERNAL MEDICINE, FAMILY MEDICINE, HOSPITALISTS, ORTHOPEDICS AND SPORTS MEDICINE, GYNECOLOGY AND OBSTETRICS, NEUROLOGY, NEUROSURGERY, GENERAL SURGERY, WOMEN'S SERVICES, AND VASCULAR SURGERY AND IS COMMITTED TO PROVIDING THE BERKS COMMUNITY WITH THE BEST MEDICAL CARE AVAILABLE FROM BOARD CERTIFIED AND FELLOWSHIP-TRAINED PHYSICIANS

Identifier	ReturnReference	Explanation
PART VI, LINE 1 (PART II), AND LINES 2, 4, AND 5 CONTINUATION 1	SCHEDULE H, PART VI	COMMUNITY BENEFIT APPROACH ST JOSEPH REDUCES THE BURDENS OF THE GOVERNMENT TO MEET THE COMMUNITY'S GROWING AND DIVERSE HEALTH NEEDS BY REACHING OUT THROUGH ITS TWO CAMPUSES AND MULTIPLE OUTPATIENT FACILITIES ST JOSEPH IS GOVERNED BY A VOLUNTEER BOARD OF DIRECTORS MADE UP OF A BROAD CROSS-SECTION OF LOCAL COMMUNITY AND BUSINESS LEADERS THE HOSPITAL PARTICIPATES IN THE WIDEST RANGE OF PRIVATE AND GOVERNMENT INSURANCES OF ANY HOSPITAL IN THE REGION AND, ACCORDING TO THE PENNSYLVANIA HEALTH CARE COST CONTAINMENT COUNCIL, CONTINUES TO PROVIDE CARE FOR THE HIGHEST PERCENTAGE OF MEDICAID AND NON-PAYING PATIENTS COMPARED TO NET PATIENT REVENUE IN A REGION THAT COVERS HOSPITALS IN BERKS, LEHIGH, NORTHAMPTON, SCHUYKILL, NORTHUMBERLAND, AND CARBON COUNTIES (SEE WWW PHC4 ORG) ST JOSEPH MEDICAL CENTER PROVIDES QUALITY AND COMPASSIONATE CARE TO ALL WE ALSO REACH DEEPLY INTO THE COMMUNITY TO PARTICIPATE IN NUMEROUS ACTIVITIES WITH OTHER NON-PROFIT, EDUCATIONAL, AND SOCIAL SERVICES AGENCIES OUR COMMUNITY BENEFIT ACTIVITIES ARE DESIGNED TO * IDENTIFY AND INCREASE AWARENESS OF HEALTH NEEDS IN READING AND BERKS COUNTIES, * PROVIDE RESOURCES TO MEET THOSE NEEDS, AND * CREATE COLLABORATION AMONG COMMUNITY ORGANIZATIONS THAT FOCUS ON HEALTH AND WELL-BEING ST JOSEPH MEDICAL CENTER PROVIDES HEALTH SERVICES IN THREE COUNTIES BERKS, SCHUYKILL, AND CHESTER, THROUGH A TWO-CAMPUS SYSTEM WITH 15 OUTPATIENT FACILITIES THE HOSPITAL REGULARLY COLLABORATES WITH THE UNITED WAY, THE BERKS COUNTY COMMUNITY FOUNDATION, AND THE BERKS COUNTY MEDICAL SOCIETY IN ASSESSING THE COMMUNITY'S HEALTH NEEDS AND WORKS COLLABORATIVELY TO CONTINUALLY DEVELOP THE SERVICES TO MEET THOSE NEEDS LOCATED IN READING, PA, ST JOSEPH REGIONAL HEALTH NETWORK SERVES PRIMARILY BERKS COUNTY, PA THE CITY OF READING HAS A POPULATION OF 73,807 AND WHEN COMBINED WITH THE REMAINING POPULATION OF BERKS COUNTY, THE HEALTH NETWORK SERVES APPROXIMATELY 417,554 RESIDENTS THE MEDIAN AGE OF THE CITY OF READING IS 31 YEARS OLD, NINE YEARS YOUNGER THAN THAT OF THE COUNTY AND A REFLECTION OF THE GROWING LATINO POPULATION THE MEDIAN SIGNALS THE TYPE OF CARE MOST NEEDED IN THE CITY AND IS REFLECTED IN THE ST JOSEPH'S EFFORTS TO PROVIDE PATIENTS WITH ACCESS TO PRIMARY CARE PHYSICIANS AT ITS DOWNTOWN READING CAMPUS THE MOST RECENT 2011 ESTIMATES FROM THE U S CENSUS BUREAU REFLECT THE FOLLOWING REGARDING THE CITY OF READING AND BERKS COUNTY CITY OF READING 2011 MEDIAN AGE 31 0 2011 MEDIAN HOUSEHOLD INCOME $26,874 2011 PER CAPITA INCOME $13,302 HISPANIC 58 7% WHITE NON-HISPANIC 25 7% TOTAL POPULATION 73,807 BERKS COUNTY 2011 MEDIAN AGE 40 0 2011 MEDIAN HOUSEHOLD INCOME $58,970 2011 PER CAPITA INCOME $25,600 HISPANIC 15 5% WHITE NON-HISPANIC 78 0% TOTAL POPULATION 417,554 MOST NOTABLY, READING - THE FIFTH LARGEST CITY IN THE STATE OF PENNSYLVANIA -IS A YOUNG, BUT ETHNICALLY DIVERSE, WITH THE HISPANIC POPULATION ACCOUNTING FOR NEARLY 59 PERCENT OF THOSE WHO LIVE IN THE CITY THE MEDIAN HOUSEHOLD INCOME IS LESS THAN HALF OF THAT OF THE TOTAL COUNTY THE CITY ITSELF IS FINANCIALLY CHALLENGED, AND WAS RECENTLY NAMED AS THE "POOREST CITY IN AMERICA" BECAUSE IT WAS GENERALLY RECOGNIZED THAT THE HEALTH OF THE COMMUNITY WAS NOT THE RESPONSIBILITY OF ANY ONE ENTITY, BUT RATHER REQUIRED THE COORDINATED EFFORTS OF MANY ENTITIES - PUBLIC AND PRIVATE - TO REALIZE AN IMPROVED HEALTH STATUS OF A COMMUNITY ST JOSEPH MEDICAL CENTER HAS A STRONG HISTORY OF WORKING TOGETHER TO ADVANCE COMMUNITY HEALTH DURING THE YEAR, ST JOSEPH COLLABORATED TO PRODUCE A SINGLE COMMUNITY HEALTH ASSESSMENT TO ADDRESS ISSUES AND OPPORTUNITIES WITHIN THE GREATER COMMUNITY THIS HEALTH ASSESSMENT PROVIDES A CONSENSUS ON NEEDS AS A FOUNDATION TO ESTABLISH INTERVENTIONS, SOLUTIONS AND COLLECTIVE ACTION TO REDUCE THE PREVALENCE OF KEY HEALTH INDICATORS IT ALSO PROVIDES CRITICAL INFORMATION UPON WHICH TO MAKE EFFECTIVE RESOURCE AND PROGRAM INVESTMENTS AND OFFERS A FRAMEWORK FOR UPDATING DATA AND MEASURING OUTCOMES COMMUNITY HEALTH NEEDS ASSESSMENT THIS NEEDS ASSESSMENT WAS JOINTLY SPONSORED BY THE BERKS COUNTY COMMUNITY FOUNDATION, ST JOSEPH REGIONAL HEALTH NETWORK, READING HEALTH SYSTEM, AND THE UNITED WAY OF BERKS COUNTY THE PURPOSE OF THE NEEDS ASSESSMENT IS TO IDENTIFY AND PRIORITIZE COMMUNITY HEALTH NEEDS SO THAT THESE ORGANIZATIONS CAN DEVELOP STRATEGIES AND IMPLEMENTATION PLANS THAT BENEFIT THE PUBLIC AS WELL AS SATISFY THE REQUIREMENTS OF THE AFFORDABLE CARE ACT FOR THE TWO HOSPITALS THIS REPORT SUMMARIZES THE RESULTS OF AN ASSESSMENT OF THE HEALTH STATUS AND HEALTH CARE NEEDS OF RESIDENTS IN BERKS COUNTY, PENNSYLVANIA THE NEEDS ASSESSMENT WAS CONDUCTED BY PUBLIC HEALTH MANAGEMENT CORPORATION, A PRIVATE NON-PROFIT PUBLIC HEALTH INSTITUTE THIS NEEDS ASSESSMENT WAS COMPLETED BEFORE MANY OF THE PROVISIONS OF THE AFFORDABLE CARE ACT WENT INTO EFFECT, AND BEFORE THE BERKS COMMUNITY HEALTH CENTER HAD BEEN IN OPERATION FOR MORE THAN A FEW MONTHS THEREFORE, INFORMATION ON THE IMPACT OF THE LEGISLATION AND THE HEALTH CENTER ON ACCESS TO HEALTH CARE WERE NOT INCLUDED IN THE RESEARCH FOR THIS ASSESSMENT IT IS ANTICIPATED THAT BOTH OF THESE RECENT CHANGES IN THE HEALTH CARE SYSTEM IN BERKS COUNTY WILL HAVE AN IMPACT ON THE ISSUES THIS NEEDS ASSESSMENT WAS OVERSEEN BY A STEERING COMMITTEE OF REPRESENTATIVES FROM EACH OF THE FOUR SPONSORING ORGANIZATIONS AN ADVISORY COMMITTEE OF 17 REPRESENTATIVES FROM BERKS COUNTY COMMUNITY ORGANIZATIONS WAS APPOINTED BY THE STEERING COMMITTEE TO PROVIDE INPUT FROM THE COMMUNITY THE ADVISORY COMMITTEE SUPPLIED GUIDANCE AT ALL STAGES OF THE NEEDS ASSESSMENT PROCESS OVERALL, BERKS COUNTY RESIDENTS ARE IN GOOD HEALTH HOWEVER, HEART DISEASE IS THE LEADING CAUSE OF DEATH FOLLOWED BY ALL FORMS OF CANCER, STROKE, LUNG CANCER, AND FEMALE BREAST CANCER IN ADDITION, MANY ADULTS SUFFER FROM OBESITY, HIGH BLOOD PRESSURE, DIABETES, AND UNTREATED MENTAL HEALTH CONDITIONS FOR EXAMPLE * NEARLY ONE THIRD OF ADULTS (30 2%) ARE OBESE AND MORE THAN ONE-THIRD (35 9%) ARE OVERWEIGHT, * ONE-THIRD OF ADULTS (33 4%) HAVE BEEN DIAGNOSED WITH HIGH BLOOD PRESSURE, THIS PERCENTAGE REPRESENTS 105,400 ADULTS, * ONE IN SEVEN ADULTS (13 9%) HAS BEEN DIAGNOSED WITH DIABETES, AND * ALTHOUGH 14 6% HAVE BEEN DIAGNOSED WITH A MENTAL HEALTH CONDITION, ONLY 38 5% OF THOSE ARE RECEIVING TREATMENT FOR THEIR CONDITION * RESIDENTS OF THE CITY OF READING, BLACKS, AND LATINOS ARE IN POORER OVERALL HEALTH, ARE MORE LIKELY TO BE OBESE, AND ARE MORE LIKELY TO HAVE DIABETES, HIGH BLOOD PRESSURE, OR A MENTAL HEALTH CONDITION THAN OTHER RESIDENTS, BUT THERE ARE MANY SMALLER SUBURBAN AND RURAL AREAS OF THE COUNTY WHERE LOW INCOME RESIDENTS, IN PARTICULAR, ARE IN POOR HEALTH UNMET NEEDS HEALTH CARE IS UNAFFORDABLE FOR MANY BERKS COUNTY RESIDENTS FORTY-FOUR PERCENT OF SURVEY RESPONDENTS IDENTIFIED THE COST OF HEALTH CARE, INCLUDING INSURANCE COVERAGE, CO-PAYS, AND DEDUCTIBLES, AS THE MOST COMMON HEALTH CONCERN FOR EXAMPLE * ONE IN SEVEN ADULTS AGED 18-64 (13 3%) IS UNINSURED, REPRESENTING 33,000 UNINSURED ADULTS, THIS PERCENTAGE HAS INCREASED FROM 8 7% IN 2008 TO 13 3% IN 2012 * AMONG THE UNINSURED IN BERKS COUNTY, ONE-QUARTER (24 8%) VISITED AN EMERGENCY ROOM FOR CARE IN THE PAST YEAR DUE TO A LACK OF HEALTH INSURANCE * MANY ADULTS IN BERKS COUNTY ARE UNABLE TO GET NEEDED CARE DUE TO THE COST OF THAT CARE 12 0% OF ADULTS, OR ABOUT 17,000 INDIVIDUALS, REPORTED THAT THERE WAS A TIME IN THE PAST YEAR WHEN THEY NEEDED HEALTH CARE, BUT DID NOT RECEIVE IT DUE TO THE COST
PART VI, LINE 1 (PART II), AND LINES 2, 4, AND 5 CONTINUATION 11	SCHEDULE H, PART VI	ACCESS TO ESSENTIAL HEALTH CARE * INCREASE THE CAPACITY OF EXISTING PROVIDERS AND ADD NEW PROVIDERS TO IMPROVE ACCESS TO ESSENTIAL HEALTH CARE SERVICES FOR AT-RISK POPULATIONS THESE NEEDS INCLUDE 1 PRIMARY CARE AND SPECIALTY CARE, 2 MENTAL HEALTH SERVICES, INCLUDING PSYCHIATRISTS, 3 EARLY PRENATAL CARE, PARTICULARLY FOR BLACK AND HISPANIC/LATINA WOMEN, AND 4 PATIENT NAVIGATORS AND CASE MANAGERS TO ASSIST AT-RISK POPULATIONS IN CIRCUMVENTING BARRIERS TO ACCESSING ESSENTIAL HEALTH CARE * ENCOURAGE THE COMMUNITY TO WORK TOGETHER TO ESTABLISH A BERKS COUNTY HEALTH DEPARTMENT TO FOCUS ON SUCH POPULATION HEALTH OBJECTIVES AS 1 PROVIDING PREVENTIVE SCREENINGS AND HEALTH EDUCATION TO AT-RISK SUBPOPULATIONS, 2 ADDRESSING BARRIERS AT-RISK POPULATIONS FACE IN ACCESSING AFFORDABLE MEDICATIONS, DENTAL CARE AND VISION CARE, AND 3 COORDINATING COMMUNITY RESPONSES TO ISSUES AFFECTING POPULATION HEALTH * IMPROVE THE SOCIAL SERVICE AGENCIES' AND HEALTH CARE PROVIDERS' CAPACITY TO ADDRESS UNIQUE LINGUISTIC AND CULTURAL FACTORS THAT AFFECT ACCESS TO CARE BY LARGE SEGMENTS OF THE HISPANIC/LATINO POPULATION, SPECIFICALLY 1 INCREASING THE AVAILABILITY OF BILINGUAL, CULTURALLY APPROPRIATE SERVICES, PARTICULARLY IN SPECIALISTS' OFFICES, 2 BETTER EDUCATING AT-RISK POPULATIONS ABOUT THE VALUE AND AVAILABILITY OF PREVENTIVE SERVICES, 3 IMPROVING AT-RISK POPULATIONS' UNDERSTANDING OF ELIGIBILITY REQUIREMENTS AND APPLICATION PROCESSES FOR PUBLICLY-FUNDED HEALTH INSURANCE, AND 4 ADDRESSING CONCERNS OF THOSE AT-RISK POPULATIONS WHOSE LEGAL STATUS REPRESENTS A BARRIER TO ACCESSING ESSENTIAL HEALTH SERVICES FINANCIAL ASSISTANCE WE BELIEVE THAT RECEIVING HEALTH CARE IS A BASIC HUMAN RIGHT OUR CATHOLIC HEALING TRADITION TEACHES THAT ACCESS TO NECESSARY HEALTH CARE SHOULD NEVER BE BASED ON THE ABILITY TO PAY ST JOSEPH PARTICIPATES IN THE WIDEST NUMBER OF INSURANCE PROGRAMS OF THE HOSPITALS IN THE REGION WE REALIZE THAT MANY PEOPLE EITHER CANNOT AFFORD HEALTH INSURANCE OR DO NOT HAVE ENOUGH INSURANCE TO COVER THEIR BILLS THOSE ARE THE REASONS FOR OUR PAYMENT OPTIONS AND FINANCIAL ASSISTANCE PROGRAM, WHICH IS PUBLICLY POSTED ON THE HOSPITAL WEBSITE WWW THEFUTUREOFHEALTH CARE ORG A PRICE ESTIMATOR ALSO WAS ADDED IN ORDER TO FURTHER CREATE PRICE AND COST TRANSPARENCY WE UNDERSTAND THAT THE NEED FOR HEALTH CARE AND HOSPITAL SERVICES IS OFTEN UNPLANNED, AND SOME PATIENTS MAY NOT HAVE SUFFICIENT INSURANCE, OR MAY BE UNABLE TO PAY THEIR ENTIRE BILL RIGHT AWAY WE ASSURE PATIENTS THAT ADMISSION TO ST JOSEPH MEDICAL CENTER IS A MEDICAL, NOT A FINANCIAL, DECISION AND, FOR THOSE WHO NEED TO TAKE ADVANTAGE OF OUR FINANCIAL ASSISTANCE PROGRAMS, WE PROVIDE THE NECESSARY ASSISTANCE IN COMPLETING APPLICATIONS THAT HELP TO DETERMINE ELIGIBILITY FOR FEDERAL, STATE OR COUNTY GOVERNMENT HEALTH CARE ASSISTANCE WE ALSO OFFER ST JOSEPH MEDICAL CENTER'S OWN ASSISTANCE PLAN THAT CAN PAY ALL OR A SIGNIFICANT PORTION OF HOSPITAL BILLS QUALITATIVE DESCRIPTION OF COMMUNITY BENEFIT THE HEART OF OUR MISSION IS TO TOUCH AND IMPROVE THE LIVES-IN BODY, MIND AND SPIRIT-OF AS MANY PEOPLE AS POSSIBLE WHO LIVE IN OUR EXTENDED COMMUNITY WE ARE MAKING A DIFFERENCE WITH OUR NUMEROUS OUTREACH EFFORTS FOR WHICH OUR STAFF GIVES UNSELFISHLY OF THEIR TIME AMONG OUR PROGRAMS ARE FAMILY & WOMEN'S CARE AND FAMILY PRACTICE CLINIC IN CENTER CITY ST JOSEPH FAMILY & WOMEN'S CARE PROVIDES COMPREHENSIVE OUTPATIENT PRIMARY CARE THAT INCLUDES SERVICES IN FAMILY PRACTICE, PEDIATRICS, AND OBGYN THE CENTER SERVES AS AN ENTRY POINT INTO THE CONTINUUM OF CARE OFFERED BY ST JOSEPH MEDICAL CENTER PHYSICIANS, PHYSICIAN ASSISTANTS, CERTIFIED REGISTERED NURSE PRACTITIONERS, CERTIFIED NURSE MIDWIVES, SOCIAL WORKERS, NURSES AND MEDICAL ASSISTANTS COLLABORATE TO PROVIDE AN INTERDISCIPLINARY APPROACH TO MEET THE INDIVIDUAL HEALTH CARE NEEDS OF OUR PATIENTS WE OFFER AGE-APPROPRIATE HEALTH, PSYCHOLOGICAL CARE, THAT IS CULTURALLY SENSITIVE HEALTH MAINTENANCE EDUCATION AND WELLNESS PROGRAMS ARE ALSO OFFERED THIS CLINIC SERVES AS AN OUTREACH HEALTH PROGRAM FOR AN UNDERSERVED PATIENT POPULATION IN THE CITY OF READING AND PARTICIPATES IN ALL OF THE LOCAL HEALTH INSURANCE PLANS INCLUDING ALL OF THE MEDICAL ASSISTANCE PLANS ACCESS TO PRIMARY HEALTH CARE IS A SIGNIFICANT ISSUE FOR RESIDENTS OF BERKS COUNTY WHILE IT IS TRUE THAT RESIDENTS ALL ACROSS PENNSYLVANIA HAVE TO FACE THE CONSEQUENCES OF HAVING TOO FEW PRIMARY CARE PHYSICIANS IN THEIR COMMUNITIES IT REMAINS A PROBLEM THAT MANY COUNTY RESIDENTS REPORT NOT HAVING A PERSONAL HEALTH CARE PROVIDER AT A RATE THAT IS HIGHER THAN THE STATE AVERAGE AND HIGHER THAN THE SURROUNDING COUNTIES LATINOS ARE MORE THAN THREE TIMES AS LIKELY TO REPORT NOT HAVING A PRIMARY HEALTH CARE PROVIDER AS THE WHITES FURTHER, MANY LATINOS FACE THE SIGNIFICANT SOCIOECONOMIC BARRIERS OF POVERTY, LANGUAGE, LACK OF HEALTH INSURANCE AND CULTURAL ISSUES, INCLUDING SOCIAL SUPPORT AND ATTITUDES ABOUT HEALTH CARE ST JOSEPH RECENTLY PARTNERED IN A COMMUNITY HEALTH NEEDS ASSESSMENT WITH THE UNITED WAY, BERKS COMMUNITY FOUNDATION AND READING HEALTH SYSTEM THIS COMPREHENSIVE STUDY OF THE COMMUNITIES UNMET NEEDS WILL BE PART OF ONGOING COMMUNITY BENEFIT PLANNING INTO THE FUTURE

Identifier	ReturnReference	Explanation
PART VI, LINE I (PART II), AND LINES 2, 4, AND 5 CONTINUATION III	SCHEDULE H, PART VI	ABOUT CENTERING PREGNANCY ST JOSEPH OFFERS CENTERING PREGNANCY A MULTIFACETED GROUP MODEL OF CARE THAT INTEGRATES THE THREE MAJOR COMPONENTS OF CARE - HEALTH ASSESSMENT, EDUCATION, AND SUPPORT - INTO A UNIFIED PROGRAM WITHIN A GROUP SETTING EIGHT TO TWELVE WOMEN WITH SIMILAR GESTATIONAL AGES MEET TOGETHER, LEARN CARE SKILLS, PARTICIPATE IN A FACILITATED DISCUSSION AND DEVELOP A SUPPORT NETWORK WITH OTHER GROUP MEMBERS EACH GROUP MEETS FOR AT LEAST 10 SESSIONS THROUGHOUT PREGNANCY AND EARLY POSTPARTUM AND EACH SESSION LASTS APPROXIMATELY 90 MINUTES WITHIN THE GROUP SPACE, THE MEDICAL PRACTITIONER AND CARE TEAM COMPLETE STANDARD PHYSICAL HEALTH ASSESSMENTS FOR THE WOMEN THROUGH THIS UNIQUE MODEL OF CARE, WOMEN ARE EMPOWERED TO CHOOSE HEALTH-PROMOTING BEHAVIORS THE EFFECTIVENESS OF THIS MODEL AND DELIVERY OF CARE HAS BEEN MEASURED BY HEALTH OUTCOMES FOR PREGNANCIES, SPECIFICALLY INCREASED BIRTH WEIGHT AND THE GESTATIONAL AGE OF THE MOTHER AT DELIVERY ADDITIONALLY, SCORES SHOW INCREASED SATISFACTION BY BOTH THE MOTHER AND THE HEALTH CARE PROVIDERS CENTERING PREGNANCY GROUPS PROVIDE A DYNAMIC ATMOSPHERE FOR LEARNING AND SHARING THAT IS IMPOSSIBLE TO CREATE IN A ONE-TO-ONE ENCOUNTER INSTEAD OF SHORT VISITS ALONE WITH A PROVIDER, CENTERING PREGNANCY GROUP PARTICIPANTS RECEIVE APPROXIMATELY 20 HOURS OF PRENATAL CARE ACROSS PREGNANCY, COMPARED TO ABOUT 2 TOTAL HOURS - ALL AT NO ADDITIONAL COST CENTERING PREGNANCY IS PRENATAL CARE THAT SERVES THE GENERAL NEEDS OF ALL PREGNANT WOMEN AND MEETS THE SPECIAL NEEDS OF RACIAL AND ETHNIC GROUPS THIS PRENATAL CARE MODEL TRANSCENDS BARRIERS TO BRING WOMEN TOGETHER TO SHARE WHAT THEY HAVE IN COMMON THE DESIRE TO HAVE A HEALTHY BABY AND A SAFE, SATISFYING LABOR AND DELIVERY EXPERIENCE HEARING OTHER WOMEN SHARE CONCERNS WHICH MIRROR THEIR OWN HELPS THE WOMAN TO NORMALIZE THE WHOLE EXPERIENCE OF PREGNANCY ST JOSEPH HAS IMPLEMENTED CENTERING PREGNANCY AT OUR DOWNTOWN READING CAMPUS, AND IS REACHING OUT TO THE COMMUNITY BY HOSTING GROUPS AT OTHER COMMUNITY BASED ORGANIZATION SITES CENTERING DIABETES CENTERING DIABETES CLASSES ARE MODELED ON CENTERING PREGNANCY CLASSES AND ARE DESIGNED TO HELP DIABETICS TO ACCESS CLINICIANS, THERAPISTS, DIETICIANS AND HEALTH EDUCATORS AND TO PARTICIPATE IN CLASSES ABOUT NUTRITION, EXERCISE, MEDICATIONS, AND LIFESTYLE AND COPING SKILLS THE GOAL IS TO HELP PATIENTS TO NOT BE AFRAID OF HAVING DIABETES - TO SEE THAT THEY CAN TAKE CARE OF THEMSELVES AND THAT THE DISEASE IS MANAGEABLE THE PROGRAM PROMOTES SELF-MANAGEMENT OF THE DISEASE TO ACHIEVE TREATMENT GOALS THAT BRING ABOUT HEALTHY OUTCOMES COMBATING YOUTH VIOLENCE VIOLENCE PREVENTION ISN'T OFTEN THOUGHT OF AS A TRADITIONAL MEANS OF DELIVERING HEALTH CARE BUT IT MAKES SENSE THAT ST JOSEPH MEDICAL CENTER SHOULD BE AT THE FOREFRONT OF THIS EFFORT TO REDUCE VIOLENCE IN OUR COMMUNITIES --- WE SEE THE TOLL OF VIOLENCE EVERY DAY IN OUR EMERGENCY DEPARTMENT IT IS AN EPIDEMIC AND THE TOLL OF VIOLENT CRIMES IN THIS COUNTRY IS AS STAGGERING AND AS PERSISTENT AND PERVASIVE AS ANY INFECTIOUS OR CHRONIC DISEASE ST JOSEPH PROVIDE THE READING YOUTH VIOLENCE PROJECT INITIATIVE WITH A FIVE-YEAR COMMITMENT TOTALING MORE THAN $840,000 THROUGH A CONSENSUS PROCESS, THREE GOALS FOR PREVENTING YOUTH VIOLENCE WERE DEVELOPED * SUPPORT POSITIVE RELATIONSHIPS AND HOME ENVIRONMENTS FOR YOUTH PEOPLE * ENHANCE STUDENT AND SCHOOL ENGAGEMENT TO KEEP YOUNG PEOPLE IN SCHOOL * IMPROVE CONDITIONS IN COMMUNITIES MOST IMPACTED BY VIOLENCE MOBILE OUTREACH TO THE COMMUNITY ST JOSEPH MEDICAL CENTER CREATED A FULLY-STOCKED 'HOSPITAL ON WHEELS' THROUGH THE REPURPOSING OF ANOTHER VEHICLE WHICH IS NOW USED BOTH FOR COMMUNITY OUTREACH AND TO RESPOND WHEN DISASTER STRIKES IN THE COMMUNITY THE VEHICLE IS FULLY-CERTIFIED TO RESPOND TO CRITICAL INCIDENTS WHERE ST JOSEPH'S MEDICAL PRESENCE IS REQUESTED BY AUTHORITIES ST JOSEPH STAFF ALSO USE THE VEHICLE FOR NUMEROUS COMMUNITY EVENTS WHERE HOSPITAL STAFF ARE ON-SITE TO PROVIDE PRE-HOSPITAL CARE AND FIRST AID GIVE KIDS A SMILE FOR THE PAST 14 YEARS, ST JOSEPH MEDICAL CENTER HAS COLLABORATED WITH THE KEYSTONE FARMWORKER PROGRAM, THE BERKS-SCHUYLKILL DENTAL HYGIENISTS' ASSOCIATION, THE BERKS COUNTY DENTAL SOCIETY, AND INDIVIDUAL PRIVATE PRACTICE DENTAL PROFESSIONALS TO PROVIDE A CHILDREN'S DENTAL CLINIC THAT OPERATES ONE SATURDAY MORNING A MONTH FROM JANUARY THROUGH MAY THE CHILDREN'S DENTAL CLINIC CARES FOR CHILDREN WITH SERIOUS DENTAL DISEASES WHO HAVE "FALLEN THROUGH THE CRACKS " A MAJORITY OF THOSE CLINIC PATIENTS ARE LOW INCOME, MINORITY CHILDREN, INCLUDING FARM-WORKER CHILDREN TO DATE, MORE THAN 2,300 CHILDREN HAVE BEEN SUPPORTED WITH DENTAL CARE COMENZANDO BIEN A FREE SPANISH PRENATAL CLASS COMENZANDO BIEN (GOOD BEGINNING) WAS CREATED BY THE NATIONAL MARCH OF DIMES AS A WAY TO HELP EDUCATE HISPANIC WOMEN ABOUT PRENATAL CARE AT ST JOSEPH MEDICAL CENTER THE CURRICULUM ADDRESSES SOME OF THE UNIQUE CULTURAL PERSPECTIVES OF HISPANIC WOMEN AND THEIR FAMILIES, AS WELL AS BEHAVIORS THAT AFFECT A PREGNANCY COMENZANDO BIEN IS A BILINGUAL PROGRAM WITH MATERIALS THAT REFLECT HISPANIC CULTURE AND THE ROLES OF MEN AND WOMEN IN THAT CULTURE THE PRENATAL EDUCATION PORTION OF THE CLASSES ENCOURAGES POSITIVE BEHAVIORS, INCLUDING TAKING VITAMINS, GETTING NEEDED VACCINATIONS AND EATING PROPERLY DURING PREGNANCY ENVIRONMENTAL AWARDS CONTINUE WHILE THE STAFF AT ST JOSEPH REGIONAL HEALTH NETWORK IS COMMITTED TO EXCELLENT PATIENT OUTCOMES, THEY ARE EQUALLY AS PASSIONATE ABOUT MANAGING THE HEALTH OF MOTHER EARTH IN 2012 AND 2013, THE MEDICAL CENTER RECEIVED A "PARTNER FOR CHANGE AWARD - WITH DISTINCTION," FROM PRACTICE GREENHEALTH, A NATIONAL ORGANIZATION FOR HEALTH CARE FACILITIES THAT WORK TOWARD ENVIRONMENTALLY RESPONSIBLE OPERATIONS PRACTICE GREENHEALTH RECOGNIZED ST JOE'S FOR ITS ACHIEVEMENTS IN WASTE REDUCTION AND POLLUTION PREVENTION IT IS THE THIRD YEAR THE MEDICAL CENTER WAS HONORED BY GREENHEALTH SINCE ITS PROGRAM STARTED, ST JOSEPH IS NOW RECYCLING MORE THAN 60 PERCENT OF ITS WASTE, UP FROM 15 PERCENT TWO YEARS AGO HOSPITAL EMPLOYEES HAVE EMBRACED A PROGRAM IN WHICH THEY RECYCLE GLASS, PAPER, COOKING OIL, LIGHT BULBS, BATTERIES, YARD AND LEAF WASTE, COMPUTERS, COPPER, PLASTIC, ALUMINUM AND TIN CANS, CARDBOARD, BLUE WRAP, PRINTER AND FAX CARTRIDGES, EYEGLASSES AND CELL PHONES CLEARLY MARKED BINS IN THE MEDICAL CENTER'S CAFÃ‰ ENABLE EMPLOYEES TO EASILY SORT RECYCLABLES AND COMPOSTABLE PRODUCTS FROM THEIR LUNCH TRAYS THEIR EFFORTS KEPT 250 TONS OF WASTE FROM BEING PLACED IN LANDFILLS JUST LAST YEAR ST JOSEPH IS A SUCCESSFUL MODEL OF HOW HEALTH FACILITIES CAN DEVELOP AND IMPLEMENT POLLUTION PREVENTION PROGRAMS TO GREATLY IMPROVE THE HEALTH OF THEIR PATIENTS, STAFF AND COMMUNITY IN 2008, GREENHEALTH RECOGNIZED ST JOSEPH EFFORTS TO ELIMINATE THE USE OF MERCURY WITH THE MAKING MEDICINE MERCURY-FREE AWARD WHILE MERCURY WAS TRADITIONALLY A NECESSARY COMPONENT OF HEALTH CARE OPERATIONS, IT CREATED HEALTH AND ENVIRONMENTAL CONCERNS THAT MEDICAL CENTER STAFF WAS DETERMINED TO ADDRESS THIS PAST YEAR, ST JOSEPH BEGAN WORKING WITH THE RODALE INSTITUTE, KUTZTOWN, PA, TO COMPOST FOOD WASTE KEYSTONE FARMWORKERS AND ST JOSEPH MEDICAL CENTER PARTNER TO AID SEASONAL AND MIGRANT LABORERS AND ACHIEVE A HEALTHIER COMMUNITY LIVING IN THE SHADOWS OF BERKS COUNTY ARE SEASONAL FARM WORKERS WHO COME HERE HOPING TO MAKE BETTER LIVES FOR THEMSELVES AND THEIR FAMILIES THEY WORK IN MUSHROOM HOUSES, ON FARMS AND IN ORCHARDS THEY PICK STRAWBERRIES, PLANT CHRISTMAS TREES AND PROCESS TURKEYS THIS GROUP OF FARM WORKERS TENDS TO BE POOR, WITH VERY LIMITED EDUCATION SOME HAVE WORK VISAS, WHILE OTHERS ARE UNDOCUMENTED MANY TRAVEL BETWEEN THE UNITED STATES AND MEXICO OR CENTRAL AMERICA, RETURNING TO BERKS COUNTY YEAR AFTER YEAR FOR WORK THEY ARE TRANSIENT, AND VERY FEW HAVE ACCESS TO ADEQUATE MEDICAL CARE ST JOSEPH ADMINISTERS A PROGRAM WITH SELINA ZYGMUNT, REGIONAL MANAGER OF KEYSTONE HEALTH CENTER'S FARMWORKER PROGRAM, ON ST JOSEPH MEDICAL CENTER'S DOWNTOWN CAMPUS WITH THE HELP OF ST JOSEPH'S RESIDENTS, THE PROGRAM PROVIDES IMMUNIZATIONS, HEALTH SCREENINGS, A DENTAL PROGRAM, EDUCATIONAL PROGRAMS AND OTHER SERVICES TO MIGRANT AND SEASONAL FARM WORKERS PHYSICIANS AND FARMWORKER PROGRAM REPRESENTATIVES OFTEN SEEK OUT FARM WORKERS AT THEIR PLACE OF EMPLOYMENT TO PROVIDE IMMUNIZATION CLINICS OR OTHER SERVICES, SOMETIMES SERVING 50 OR 60 WORKERS IN ONE NIGHT IF THEY CAN'T REACH THEM AT WORK, THEY SET UP HEALTH SCREENINGS THROUGHOUT THE COMMUNITY AND SPREAD THE WORD FOR WORKERS TO COME
Patient education of eligibility for assistance	Schedule H, Part VI, Line 3	ST JOSEPH REGIONAL HEALTH NETWORK (SJRHN), ALONG WITH ITS AFFILIATED OUTPATIENT FACILITIES ARE PART OF CATHOLIC HEALTH INITIATIVES (CHI) CHI HAS A WRITTEN POLICY (STEWARDSHIP POLICY NO 15) GOVERNING THE PROCEDURES FOR DETERMINING AND INFORMING PATIENTS ABOUT THE ENTITY'S FINANCIAL ASSISTANCE POLICY ALL HOSPITAL FACILITIES INCLUDED IN THE FILING ORGANIZATION HAVE ADOPTED THE POLICY THE POLICY STATES THE ORGANIZATION WILL INCLUDE INFORMATION CONCERNING ITS FINANCIAL ASSISTANCE POLICY ON ITS WEBSITE IN ADDITION, SJRHN PROMINENTLY DISPLAYS ITS FINANCIAL ASSISTANCE POLICY IN BOTH ENGLISH AND SPANISH IN OBVIOUS LOCATIONS THROUGHOUT THE HOSPITALS, INCLUDING THE EMERGENCY ROOMS AND OTHER PATIENT INTAKE AREAS, AS WELL AS IN SJRHN'S OUTPATIENT FACILITIES SJRHN REGISTRATION CLERKS ARE TRAINED TO PROVIDE CONSULTATION TO THOSE WHO HAVE NO INSURANCE OR POTENTIALLY INADEQUATE INSURANCE CONCERNING THEIR FINANCIAL OPTIONS, INCLUDING APPLICATION FOR MEDICAID AND FOR FINANCIAL ASSISTANCE UNDER SJRHN'S FINANCIAL ASSISTANCE POLICY UPON REGISTRATION (AND ONCE ALL EMTALA REQUIREMENTS ARE MET), PATIENTS WHO ARE IDENTIFIED AS UNINSURED (AND NOT COVERED BY MEDICARE OR MEDICAID) ARE PROVIDED WITH A PACKET OF INFORMATION THAT ADDRESSES THE FINANCIAL ASSISTANCE POLICY AND PROCEDURES, INCLUDING AN APPLICATION FOR ASSISTANCE SJRHN REGISTRATION CLERKS READ THE ORGANIZATION'S MEDICAL ASSISTANCE POLICY TO THOSE WHO APPEAR TO BE INCAPABLE OF READING AND PROVIDE TRANSLATORS FOR NON ENGLISH-SPEAKING INDIVIDUALS SJRHN ALSO USES AN OUTSIDE SERVICE TO ASSIST THE PATIENT/GUARANTOR WITH APPLYING FOR OTHER AVAILABLE COVERAGE (SUCH AS MEDICAID), IF NECESSARY COUNSELORS ASSIST MEDICARE ELIGIBLE PATIENTS IN ENROLLMENT BY PROVIDING REFERRALS TO THE APPROPRIATE GOVERNMENT AGENCIES

Identifier	ReturnReference	Explanation
Affiliated health care system	Schedule H, Part VI, Line 6	ST JOSEPH REGIONAL HEALTH NETWORK, ALONG WITH ITS AFFILIATED OUTPATIENT FACILITIES, ARE PART OF CATHOLIC HEALTH INITIATIVES CATHOLIC HEALTH INITIATIVES (CHI) IS A NATIONAL FAITH-BASED NONPROFIT HEALTH CARE ORGANIZATION WITH HEADQUARTERS IN ENGLEWOOD, COLORADO CHI'S EXEMPT PURPOSE IS TO SERVE AS AN INTEGRAL PART OF ITS NATIONAL SYSTEM OF HOSPITALS AND OTHER CHARITABLE ENTITIES, WHICH ARE DESCRIBED AS MARKET-BASED ORGANIZATIONS, OR MBOS AN MBO IS A DIRECT PROVIDER OF CARE OR SERVICES WITHIN A DEFINED MARKET AREA THAT MAY BE AN INTEGRATED HEALTH SYSTEM AND/OR A STAND-ALONE HOSPITAL OR OTHER FACILITY OR SERVICE PROVIDER CHI SERVES AS THE PARENT CORPORATION OF ITS MBOS, WHICH ARE COMPRISED OF 73 HOSPITALS, 40 LONG-TERM CARE, ASSISTED- AND RESIDENTIAL-LIVING FACILITIES, TWO COMMUNITY HEALTH-SERVICES ORGANIZATIONS, TWO ACCREDITED NURSING COLLEGES, AND HOME HEALTH AGENCIES TOGETHER, THESE FACILITIES PROVIDED $762 MILLION IN CHARITY CARE AND COMMUNITY BENEFIT IN THE 2013 FISCAL YEAR, INCLUDING SERVICES FOR THE POOR, FREE CLINICS, EDUCATION, AND RESEARCH CHI PROVIDES STRATEGIC PLANNING AND MANAGEMENT SERVICES AS WELL AS CENTRALIZED "SHARED SERVICES" FOR THE MBOS THE PROVISION OF CENTRALIZED MANAGEMENT AND SHARED SERVICES - INCLUDING AREAS SUCH AS ACCOUNTING, HUMAN RESOURCES, PAYROLL AND SUPPLY CHAIN - PROVIDES ECONOMIES OF SCALE AND PURCHASING POWER TO THE MBOS THE COST SAVINGS ACHIEVED THROUGH CHI'S CENTRALIZATION ENABLE MBOS TO DEDICATE ADDITIONAL RESOURCES TO HIGH-QUALITY HEALTH CARE AND COMMUNITY OUTREACH SERVICES TO THE MOST VULNERABLE MEMBERS OF OUR SOCIETY ST JOSEPH REGIONAL HEALTH NETWORK OPERATES WITH ITS WHOLLY OWNED AFFILIATES AND COMMUNITY PARTNERS, ALONG WITH ITS FUNDRAISING ARM, THE ST JOSEPH MEDICAL CENTER FOUDATION, TO SERVE THE HEALTH CARE NEEDS OF THE BERKS COUNTY, PA, COMMUNITIES
State filing of community benefit report	Schedule H, Part VI, Line 7	PA

Additional Data

Software ID: 12000266
Software Version: v2012.1.0
EIN: 23-1352211
Name: ST JOSEPH REGIONAL HEALTH NETWORK

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

Section C. Other 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?
15

Name and address	Type of Facility (describe)
ST JOSEPH QUALITY MEDICAL LABORATORY RT 724 MAPLE SPRINGS BIRDSBORO,PA 19508	DRAW STATION
ST JOSEPH QUALITY MEDICAL LABORATORY FIFTH AND MONTGOMERY AVENUES BOYERTOWN,PA 19512	DRAW STATION
ST JOSEPH HEALTH NETWORK 45 SOUTH PINE STREET ELVERSON,PA 19520	DRAW STATION
ST JOSEPH HEALTH NETWORK 5400 PERKIOMEN AVENUE READING,PA 19606	DRAW STATION
ST JOSEPH QUALITY MEDICAL LABORATORY 1623 MORGANTOWN ROAD READING,PA 19607	DRAW STATION
ST JOSEPH HEALTH NETWORK SCHOOLSIDE PLAZA-RT 61 AND WALL ST KENHORST,PA 19533	DRAW STATION
ST JOSEPH HEALTH NETWORK 108 PLAZA DRIVE SUITE 101 BLANDON,PA 19510	DRAW STATION
ST JOSEPH HEALTH NETWORK 120 PROSPECT STREET READING,PA 19606	DRAW STATION
ST JOSEPH QUALITY MEDICAL LABORATORY TWO WEST WASHINGTON STREET SHENANDOAH,PA 17976	DRAW STATION
ST JOSEPH QUALITY MEDICAL LABORATORY 4400 PENN AVENUE SINKING SPRING,PA 19608	DRAW STATION
ST JOSEPH HEALTH NETWORK 2605 KEISER BLVD SUITE 200 WYOMISSING,PA 19610	DRAW STATION
ST JOSEPH HEALTH NETWORK 1330 PENN AVENUE WYOMISSING,PA 19610	DRAW STATION
THE HERITAGE OF GREEN HILLS 10 TRANQUILITY LANE READING,PA 19607	DRAW STATION
READING DOWNTOWN CAMPUS 145 N 6TH STREET READING,PA 19601	DRAW STATION
ST JOSEPH HEALTH NETWORK 2610 KEISER BLVD WYOMISSING,PA 19610	DRAW STATION

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) ST JOSEPH MEDICAL GROUP 2500 BERNVILLE ROAD READING,PA 19605	20-8544021	501(C)(3)	9,879,357				PROGRAM SUPPORT
(2) BORNEMANN HEALTH CORPORATION 2500 BERNVILLE ROAD READING,PA 19605	23-2187242	501(C)(3)	4,230,593				PROGRAM SUPPORT
(3) ST JOSEPH MEDICAL CENTER FOUNDATION 2500 BERNVILLE ROAD READING,PA 19605	23-2649362	501(C)(3)	588,938				PROGRAM SUPPORT

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

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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
Procedures for monitoring use of grant funds	Schedule I, Part I, Line 2	UPON PROVIDING SATISFACTORY WRITTEN EVIDENCE THAT THE FUNDS WERE USED FOR THE PURPOSE THE GRANT WAS MADE, THE ORGANIZATION RELEASES THE RESTRICTION AND THE FUNDS ARE TRANSFERRED

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Identifier	Return Reference	Explanation
Arrangement used to establish the top management official's compensation	Schedule J, Part I, Line 3	COMPENSATION FOR THE TOP MANAGEMENT OFFICIAL WAS ESTABLISHED AND PAID BY CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION CHI USED THE FOLLOWING TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION (1) COMPENSATION COMMITTEE, (2) INDEPENDENT COMPENSATION CONSULTANT, (3) WRITTEN EMPLOYMENT CONTRACTS, (4) COMPENSATION SURVEY OR STUDY, (5) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE
Severance or change-of-control payment	Schedule J, Part I, Line 4a	POST-TERMINATION PAYMENTS ARE ADDRESSED IN EXECUTIVE EMPLOYMENT AGREEMENTS FOR CATHOLIC HEALTH INITIATIVES (CHI) AND RELATED ORGANIZATIONS' EMPLOYEES AT THE LEVEL OF VICE PRESIDENT AND ABOVE, INCLUDING THE MBO CEOS THESE EMPLOYMENT AGREEMENTS REQUIRE THAT IN ORDER FOR THE EXECUTIVE TO RECEIVE POST-TERMINATION PAYMENTS, THESE INDIVIDUALS MUST EXECUTE A GENERAL RELEASE AND SETTLEMENT AGREEMENT POST-TERMINATION PAYMENT ARRANGEMENTS ARE PERIODICALLY REVIEWED FOR OVERALL REASONABLENESS IN LIGHT OF THE EXECUTIVE'S OVERALL COMPENSATION PACKAGE THE FOLLOWING REPORTABLE INDIVIDUALS RECEIVED SEVERANCE PAYMENTS FROM ST JOSEPH REGIONAL HEALTH NETWORK DURING THE 2012 CALENDAR YEAR, AND THESE SEVERANCE PAYMENTS WERE INCLUDED IN THE INDIVIDUAL'S W-2 INCOME AND REPORTABLE COMPENSATION ON SCHEDULE J DOUGLAS AZAR - $119,506
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b	DURING THE 2012 CALENDAR YEAR CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION, MAINTAINED A SUPPLEMENTAL NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR MBO CEOS AND OTHER CHI EMPLOYEES AT THE LEVEL OF SENIOR VICE PRESIDENT AND ABOVE THE FOLLOWING REPORTABLE INDIVIDUALS WERE ELIGIBLE TO PARTICIPATE IN THAT PLAN JOHN MORAHAN AND MARY ELIZABETH O'BRIEN DURING 2012, THE FOLLOWING CONTRIBUTIONS WERE MADE BY CHI TO THE DEFERRED COMPENSATION PLAN JOHN MORAHAN - $36,939 MARY ELIZABETH O'BRIEN - $83,869 DURING 2012, THE FOLLOWING DISTRIBUTIONS WERE MADE BY CHI FROM THE DEFERRED COMPENSATION PLAN JOHN MORAHAN - $24,127 MARY ELIZABETH O'BRIEN - $43,883

Additional Data

Return to Form

Software ID: 12000266
Software Version: v2012.1.0
EIN: 23-1352211
Name: ST JOSEPH REGIONAL HEALTH NETWORK

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				
B MUVDI	(I)	1,572	0	0	0	0	1,572	0
	(II)	200,073	165,469	1,148	20,596	20,397	407,683	0
DAVID LIM	(I)	246,232	41,994	560	28,096	22,496	339,378	0
	(II)	0	0	0	0	0	0	0
DOUGLAS AZAR	(I)	0	0	114,827	7,601	17,997	140,425	0
	(II)	0	0	0	0	0	0	0
HOWARD DAVIS	(I)	211,980	15,891	16,993	18,647	9,904	273,415	0
	(II)	0	0	0	0	0	0	0
JOHN MORAHAN	(I)	0	0	0	0	0	0	0
	(II)	427,625	103,449	49,139	62,535	16,896	659,644	24,127
KELLY ALTLAND	(I)	154,764	24,993	129	15,750	20,258	215,894	0
	(II)	0	0	0	0	0	0	0
MARY ELIZABETH O'BRIEN	(I)	0	0	0	0	0	0	0
	(II)	714,927	139,200	70,827	106,965	9,343	1,041,262	43,883
MICHAEL BRADLEY	(I)	242,076	10,000	9,377	25,596	20,262	307,311	0
	(II)	0	0	0	0	0	0	0
PAMELA TAFFERA	(I)	225,247	0	8,114	21,382	7,148	261,891	0
	(II)	0	0	0	0	0	0	0
PEARL PAKDI	(I)	297,357	0	1,988	23,096	9,109	331,550	0
	(II)	0	0	0	0	0	0	0
SAMUEL ALFANO	(I)	0	0	0	0	0	0	0
	(II)	291,139	62,798	21,811	23,096	21,419	420,263	0
SCOTT MENGLE	(I)	170,457	29,497	353	20,426	20,130	240,863	0
	(II)	0	0	0	0	0	0	0
SHARON STROHECKER	(I)	215,287	37,031	477	20,596	22,496	295,887	0
	(II)	0	0	0	0	0	0	0
VIJAY SINGH	(I)	785	0	0	0	0	785	0
	(II)	203,260	95,155	261	20,596	20,397	339,669	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? 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
Total			▶ $									

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) RESPIRATORY SPECIALISTS	JOSEPH MARIGLIO IS A BOARD MEMBER AND A PART OWNER OF RESPIRATORY SPECIALISTS	401,180	SJRHN CONTRACTS WITH RESPIRATORY SPECIALISTS TO PROVIDE PHYSICIAN SERVICES		No
(2) BERKS CARDIOLOGIST	LOUIS BORGATTA IS A BOARD MEMBER AND A PART OWNER OF BERKS CARDIOLOGIST	138,971	SJRHN CONTRACTS WITH BERKS CARDIOLOGIST TO PROVIDE PHYSICIAN SERVICES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

Identifier	Return Reference	Explanation
Delegate broad authority to a committee	Form 990, Part VI, Section A, Line 1a	PURSUANT TO SECTION 8 5 OF THE BYLAWS OF ST JOSEPH REGIONAL HEALTH NETWORK, THE EXECUTIVE COMMITTEE SHALL CONSIST OF ONLY DIRECTORS OF THE CORPORATON AND SHALL BE COMPOSED OF THE CHAIRPERSON OF THE BOARD, THE VICE CHAIRPERSON OF THE BOARD, THE IMMEDIATE PAST CHAIRPERSON OF THE BOARD, CHAIRS OF THE BOARD COMMITTEES, AND THE CHAIR OF THE FOUNDATION BOARD, PROVIDED THAT EACH STILL BE A FULL, ACTIVE VOTING MEMBER OF THE BOARD, AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE CORPORATION, EACH OF WHOM SHALL SERVE AS AN EX OFFICIO VOTING MEMBER OF THE EXECUTIVE COMMITTEE EACH INDIVIDUAL APPOINTED TO THE EXECUTIVE COMMITTEE SHALL SERVE FOR A TERM OF ONE YEAR OR UNTIL HIS OR HER SUCCESSOR IS DULY APPOINTED BY THE BOARD OF DIRECTORS ANY VACANCY OF AN APPOINTED EXECUTIVE COMMITTEE MEMBERSHIP MAY BE FILLED FOR THE UNEXPIRED PORTION OF THE TERM IN THE MANNER THAT THE ORIGINAL COMMITTEE MEMBER WAS APPOINTED EXCEPT AS PROVIDED BY LAW, THE EXECUTIVE COMMITTEE SHALL HAVE AND MAY EXERCISE SUCH POWERS AS MAY BE DELEGATED TO IT BY THE BOARD OF DIRECTORS ALL ACTIONS TAKEN BY THE EXECUTIVE COMMITTEE SHALL BE PROMPTLY REPORTED TO THE BOARD OF DIRECTORS AT THE NEXT REGULAR OR ANNUAL MEETING OF THE BOARD OF DIRECTORS THE EXECUTIVE COMMITTEE SHALL MEET AT SUCH TIMES AS SHALL BE DETERMINED BY THE CHAIRPERSON THE EXECUTIVE COMMITTEE SHALL KEEP REGULAR MINUTES OF ITS PROCEEDINGS AND REPORT THE SAME TO THE BOARD OF DIRECTORS AT EACH REGULAR MEETING OF THE BOARD

Identifier	Return Reference	Explanation
Classes of members or stockholders	Form 990, Part VI, Section A, Line 6	THE SOLE MEMBER OF THE ORGANIZATION IS CATHOLIC HEALTH INITIATIVES, A COLORADO NONPROFIT CORPORATION

Identifier	Return Reference	Explanation
Members or stockholders electing members of governing body	Form 990, Part VI, Section A, Line 7a	ACCORDING TO THE ORGANIZATION'S BYLAWS, DIRECTORS SHALL BE APPOINTED OR REFUSED BY THE CORPORATE MEMBER THE CORPORATE MEMBER MAY APPOINT ONE OR MORE INDIVIDUALS TO THE BOARD OF DIRECTORS, AND MAY AT ANY TIME REMOVE, WITH OR WITHOUT CAUSE, ANY MEMBER OF THE BOARD OF DIRECTORS ACCORDING TO THE ORGANIZATION'S BYLAWS, DIRECTORS OF THE CORPORATION SHALL BE APPOINTED BY THE CORPORATE MEMBER NO LATER THAN JUNE 30 OF EACH YEAR THE NAMES AND QUALIFICATIONS OF EACH INDIVIDUAL ACCEPTED BY THE BOARD OF DIRECTORS SHALL BE SUBMITTED TO THE CORPORATE MEMBER, WHO SHALL APPOINT OR REFUSE EACH NOMINEE IN ACCORDANCE WITH THE CORPORATE MEMBER'S BYLAWS AND WITH ENDORSEMENT OF THE SENIOR VICE PRESIDENT OF OPERATIONS

Identifier	Return Reference	Explanation
Decisions requiring approval by members or stockholders	Form 990, Part VI, Section A, Line 7b	THE ORGANIZATION'S CORPORATE MEMBER IS CATHOLIC HEALTH INITIATIVES (CHI) PURSUANT TO SECTION 5 4 1 OF THE ORGANIZATION'S BYLAWS, THE CORPORATE MEMBER SHALL HAVE THE SPECIFIC RIGHTS SET FORTH IN THE GOVERNANCE MATRIX PURSUANT TO THE GOVERNANCE MATRIX THE FOLLOWING RIGHTS ARE RESERVED TO THE CHI BOARD DIRECTLY OR THROUGH POWERS DELEGATED TO THE CHI CHIEF EXECUTIVE OFFICER - SUBSTANTIAL CHANGE IN THE MISSION OR PHILOSOPHY OF ST JOSEPH REGIONAL HEALTH NETWORK, - AMENDMENT OF THE CORPORATE DOCUMENTS OF ST JOSEPH REGIONAL HEALTH NETWORK, - APPROVE MEMBERS OF ST JOSEPH REGIONAL HEALTH NETWORK BOARD, - REMOVAL OF A MEMBER OF THE GOVERNING BODY OF ST JOSEPH REGIONAL HEALTH NETWORK, - APPROVAL OF ISSUANCE OF DEBT BY ST JOSEPH REGIONAL HEALTH NETWORK, - APPROVAL OF PARTICIPATION OF ST JOSEPH REGIONAL HEALTH NETWORK IN A JOINT VENTURE, - APPROVAL OF FORMATION OF A NEW CORPORATION BY ST JOSEPH REGIONAL HEALTH NETWORK, - APPROVAL OF A MERGER INVOLVING ST JOSEPH REGIONAL HEALTH NETWORK, - APPROVAL OF THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF ST JOSEPH REGIONAL HEALTH NETWORK, - TO REQUIRE THE TRANSFER OF ASSETS BY THE ST JOSEPH REGIONAL HEALTH NETWORK TO CHI TO ACCOMPLISH CHI'S GOALS AND OBJECTIVES, AND TO SATISFY CHI DEBTS, - ADOPTION OF LONG RANGE AND STRATEGIC PLANS FOR ST JOSEPH REGIONAL HEALTH NETWORK PURSUANT TO SECTION 5 5 2 OF THE ORGANIZATION'S BYLAWS, CHI MAY, IN EXERCISE OF ITS APPROVAL POWERS, GRANT OR WITHHOLD APPROVAL IN WHOLE OR IN PART, OR MAY, IN ITS COMPLETE DISCRETION, AFTER CONSULTATION WITH THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE ORGANIZATION, RECOMMEND SUCH OTHER OR DIFFERENT ACTIONS AS IT DEEMS APPROPRIATE.

Identifier	Return Reference	Explanation
Review of form 990 by governing body	Form 990, Part VI, Section B, Line 11b	THE FORM 990 IS REVIEWED BY THE DIRECTOR OF FINANCE AND THE CFO THE TAX DEPARTMENT FILES THE RETURN WITH THE APPROPRIATE FEDERAL AGENCIES, MAKING ANY NON-SUBSTANTIVE CHANGES NECESSARY TO EFFECT E-FILING ANY SUCH CHANGES ARE NOT RE-SUBMITTED TO THE CFO AFTER THE RETURN IS FILED, A COPY IS PROVIDED TO MEMBERS OF THE BOARD, EITHER ELECTRONICALLY OR AT A BOARD MEETING

Identifier	Return Reference	Explanation
Conflict of interest policy	Form 990, Part VI, Section B, Line 12c	THE BOARD OF DIRECTORS AND ORGANIZATION LEADERS ANNUALLY DISCLOSE ANY POTENTIAL OR ACTUAL CONFLICTS OF INTEREST THE COMPLIANCE OFFICER REVIEWS EACH OF THE DISCLOSURE STATEMENTS AND PREPARES A REPORT DETAILING ANY IDENTIFIED CONFLICTS THE CONFLICT DISCLOSURE REVIEW IS PRESENTED AT THE BOARD AFFAIRS COMMITTEE ALL EMPLOYEES AND BOARD MEMBERS RECEIVE EDUCATION ON CONFLICTS OF INTEREST, WITH BOARD MEETINGS AND PHYSICIAN TRANSACTION REVIEW MEETINGS STARTING WITH A REQUEST TO DECLARE POTENTIAL CONFLICTS ANY POTENTIAL ISSUES ARE REVIEWED, AND INDIVIDUALS WITH A MATERIAL CONFLICT ARE PERMITTED TO PARTICIPATE IN DISCUSSIONS BUT DO NOT PARTICIPATE IN THE VOTE ON ANY ACTION ITEM DEPARTMENT LEADERS DISCLOSE ANY POTENTIAL EMPLOYEE CONFLICTS TO THE CRO WITH THE CEO DETERMINING THE COURSE OF ACTION FOR ANY POTENTIALLY SIGNIFICANT CONFLICTS

Identifier	Return Reference	Explanation
PROCESS FOR DETERMINING COMPENSATION OF THE TOP MANAGEMENT OFFICIAL	FORM 990, PART VI, LINE 15A	THE ORGANIZATION'S CEO'S COMPENSATION IS PAID BY CHI CHI HAS A DEFINED COMPENSATION PHILOSOPHY BOTH THE EXECUTIVE AND NON-EXECUTIVE COMPENSATION STRUCTURES AND RANGES ARE REVIEWED ANNUALLY IN COMPARISON TO MARKET DATA CHI USES THE HAY GROUP AS THE INDEPENDENT THIRD PARTY TO ASSESS EXECUTIVE COMPENSATION PROGRAMS AND TO ENSURE THE REASONABLENESS OF ACTUAL SALARIES AND TOTAL COMPENSATION PACKAGES COMPENSATION OF THE SENIOR MOST EXECUTIVES IS REVIEWED ANNUALLY THE HAY GROUP REVIEWS BOTH CASH AND TOTAL COMPENSATION FOR OVERALL REASONABLENESS, FOR ADHERENCE TO CHI'S COMPENSATION PHILOSOPHY, AND FOR COMPARABILITY TO THE NOT-FOR-PROFIT HEALTHCARE MARKET THIS INDEPENDENT REVIEW IS DELIVERED BY HAY GROUP TO THE HR COMMITTEE OF THE CHI BOARD OF STEWARDSHIP TRUSTEES ANNUALLY AT THEIR SEPTEMBER MEETING AND MINUTES ARE SHARED WITH THE FULL BOARD AT THE DECEMBER MEETING THE LAST REVIEW WAS SEPTEMBER 17, 2013 IN ADDITION, IN DECEMBER 2009, HAY GROUP COMPLETED A COMPREHENSIVE REVIEW OF ALL POSITIONS AT THE LEVEL OF VICE PRESIDENT AND ABOVE TO DETERMINE AND VALIDATE APPROPRIATE COMPENSATION LEVELS THESE LEVELS HAVE BEEN REVIEWED ANNUALLY SINCE AND REVISED BASED ON MARKET DATA, WHERE APPLICABLE

Identifier	Return Reference	Explanation
Process used to establish compensation of other officers/key employees	Form 990, Part VI, Section B, Line 15b	ANY EXECUTIVE COMPENSATION PAID TO OFFICERS, DIRECTORS, OR TRUSTEES BY ST JOSEPH REGIONAL HEALTH NETWORK AND RELATED ORGANIZATIONS WAS SET BY A COMPENSATION COMMITTEE UTILIZING AN INDEPENDENT CONSULTANT AND COMPARABILITY STUDIES TO DETERMINE COMPENSATION THE ST JOSEPH REGIONAL HEALTH NETWORK BOARD OF DIRECTORS OVERSEES THE COMPENSATION SETTING PROCESS TO ENSURE REASONABLENESS AND COMPLIANCE WITH THE ORGANIZATION'S COMPENSATION PHILOSOPHY

Identifier	Return Reference	Explanation
Governing documents, conflict of interest policy and financial statements available to the public	Form 990, Part VI, Section C, Line 19	THE ORGANIZATION'S FINANCIAL STATEMENTS ARE INCLUDED IN CATHOLIC HEALTH INITIATIVES' CONSOLIDATED AUDITED FINANCIAL STATEMENTS THAT ARE AVAILABLE AT WWW CATHOLICHEALTHINIT ORG OR AT WWW DACBOND COM THE ORGANIZATION'S CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS ARE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
Other Expenses	Form 990, Part IX, Line 11g	CHI RRC FEES - TOTAL EXPENSE 4542948, PROGRAM SERVICE EXPENSE 4542948, MANAGEMENT AND GENERAL EXPENSES , FUNDRAISING EXPENSES , CONTRACTED PROFESSIONALS - TOTAL EXPENSE 4105511, PROGRAM SERVICE EXPENSE 4105511, MANAGEMENT AND GENERAL EXPENSES , FUNDRAISING EXPENSES , CHI CLINICAL ENGINEERING - TOTAL EXPENSE 2674021, PROGRAM SERVICE EXPENSE 2674021, MANAGEMENT AND GENERAL EXPENSES , FUNDRAISING EXPENSES , OTHER PROFESSIONAL FEES - TOTAL EXPENSE 10379535, PROGRAM SERVICE EXPENSE 7832635, MANAGEMENT AND GENERAL EXPENSES 2546900, FUNDRAISING EXPENSES ,

Identifier	Return Reference	Explanation
Other changes in net assets or fund balances	Form 990 , Part XI, Line 9	CAPITAL RESOURCE POOL CONTRIBUTION - -838104, CHI CONNECT DEPRECIATION - 175424,

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST JOSEPH REGIONAL HEALTH NETWORK

Employer identification number
23-1352211

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	(g) 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) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
See Additional Data Table												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

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

		Yes	No
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 orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r	Yes	
s Other transfer of cash or property from related organization(s)	1s	Yes	

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 MEDICAL CENTER FOUNDATION	B	588,938	FMV
(2) ST JOSEPH MEDICAL CENTER FOUNDATION	C	1,588,996	FMV
(3) ST JOSEPH MEDICAL CENTER FOUNDATION	O	55,102	FMV

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

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Software Version: v2012.1.0
EIN: 23-1352211
Name: ST JOSEPH REGIONAL HEALTH NETWORK

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) Disproprtionate allocations? No	(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner? Yes	(j) General or Managing Partner? No	(k) Percentage ownership
AUDUBON LAND COMPANY LLC 5390 N ACADEMY BLVD SUITE 300 COLORADO SPRINGS, CO 80918 84-1513085	REAL ESTATE	CO	CHIC	RELATED	34,991	8,665,388		No	0		No	50 1 %
AVANTAS LLC 11128 JOHN GALT BLVD SUITE 400 OMAHA, NE 68137 39-2045003	STAFFING OF NURSES	NE	AHBMHS	RELATED	-210,405	4,806,071		No	-439,536		No	95 %
BERYWOOD OFFICE PROPERTIES LLC 400 BERYWOOD TRAIL CLEVELAND, TN 37312 62-1875199	PHYS OFFICE	TN	MHCS	RELATED	57,545	1,013,237		No	0	Yes		63 %
BLUEGRASS REGIONAL IMAGING CENTER 1218 SOUTH BROADWAY SUITE 310 LEXINGTON, KY 40504 61-1386736	DIAGNOSTIC	KY	SJHS	RELATED	308,428	3,317,191		No	0		No	65 %
CENTRAL NEBRASKA HOME CARE SERVICES PO BOX 1146-4510 SECOND AVENUE KEARNEY, NE 68848 47-0692112	HEALTHCARE SRVC	NE	NA	RELATED	228,435	675,251		No	0	Yes		100 %
CENTRAL NEBRASKA REHAB SERVICES 3004 W FAIDLEY AVE GRAND ISLAND, NE 68802 81-0653461	PHYSICAL THERAPY	NE	SFMC	RELATED	1,710,199	2,712,656		No	0		No	51 %
CHI OPERATING INVESTMENT PROGRAM LP 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 47-0727942	INVESTMENTS	CO	CHI	UNRELATED	344,962,532	4,617,413,792		No	0	Yes		79 92 %
HEALTHCARE SUPPORT SERVICES PO BOX 9804 GRAND ISLAND, NE 68802 72-1546196	LAUNDRY	NE	NA	RELATED	98,583	3,190,677		No	0		No	100 %
MRI AT ST JOSEPH MEDICAL CENTER LLC 7253 AMBASSADOR ROAD BALTIMORE, MD 21244 52-1958002	MEDICAL IMAGING	MD	SJMC	RELATED	423,167	2,174,155		No	0	Yes		51 %
NORTH RIVER SURGERY CENTER LLC 2209 WILDWOOD AVENUE SHERWOOD, AR 72120 71-0799771	AMBUL SURG CTR	AR	SVIMC	RELATED	81,071	1,077,536		No	0		No	57 45 %
O'DEA MEDICAL ARTS LIMITED PARTNERSHIP 7601 OSLER DRIVE TOWSON, MD 21204 52-1682964	REAL ESTATE	MD	TMI	RELATED	9,490	0		No	0	Yes		66 58 %
ORTHOCOLORADO LLC 11650 WEST 2ND PLACE LAKEWOOD, CO 80255 37-1577105	ORTHO HOSPITAL	CO	THC	RELATED	1,846,153	8,411,844		No	0		No	60 %
PENINSULA RADIATION ONCOLOGY LLC 315 MARTIN LUTHER KING JR WAY 111 TACOMA, WA 98405 87-0808610	HEALTHCARE SRVC	WA	FHS	RELATED	256,567	3,262,002		No	0		No	60 %
PENRAD IMAGING 1390 KELLY JOHNSON BLVD COLORADO SPRINGS, CO 80920 84-1072619	MEDICAL IMAGING	CO	CHIC	RELATED	715,094	3,489,436		No	0		No	70 %
RUXTON SURGICENTER LLC 8322 BELLONA AVENUE SUITE 201 BALTIMORE, MD 21204 52-2095835	SURGERY CENTER	MD	SJMC	RELATED	-69,345	0		No	0	Yes		51 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
SAINT JOSEPH - SCA HOLDINGS LLC 1451 HARRDOSBURG ROAD LEXINGTON, KY 40504 45-3801157	OP SURGERY	DE	SJHS	RELATED	0	0		No	0	Yes		51 %
SCA PREMIER SURGERY CENTER OF LOUISVILLE LLC 200 ABRAHAM FLEXNER WAY LOUISVILLE, KY 40202 72-1386840	SURGERY CENTER	KY	JH	RELATED	3,388	666,017		No	0	Yes		51 %
ST FRANCIS LAND COMPANY LLC 5390 N ACADEMY BLVD SUITE 300 COLORADO SPRINGS, CO 80918 26-3134100	REAL ESTATE	CO	CHIC	RELATED	-130,967	13,823,763		No	0		No	51 %
ST FRANCIS MEDICAL CENTER ASSOCIATES 1717 SOUTH J STREET TACOMA, WA 98405 91-1352698	MED OFFICE	WA	FHS	RELATED	238,717	1,907,063		No	0		No	58 46 %
ST JOSEPH-PAML LLC 424 LEWIS HARGETT CIRCLE STE 160 LEXINGTON, KY 40503 45-2116736	MGMT SVCS	KY	SJHS	RELATED	30,446	1,149,003		No	0	Yes		62 5 %
SUPERIOR MEDICAL IMAGING LLC 5000 NORTH 26TH STREET LINCOLN, NE 68521 26-2884555	OP DIAGNOSTICS	NE	SERMC	RELATED	-200,323	821,112		No	0	Yes		51 %
SURGERY CENTER OF LEXINGTON LLC 424 LEWIS HARGETT CIRCLE STE 160 LEXINGTON, KY 40503 62-1179539	SURGERY CENTER	DE	SJHS	RELATED	-200,318	4,079,584		No	0	Yes		51 %
SURGERY CENTER OF LOUISVILLE LLC 200 ABRAHAM FLEXNER WAY LOUISVILLE, KY 40202 62-1179537	SURGERY CENTER	KY	JH	RELATED	-15,452	396,101		No	0	Yes		51 %
ALEGENT HEALTH NORTHWEST IMAGING CENTER LLC 3606 N 156TH STREET OMAHA, NE 68116 06-1786985	OP DIAGNOSTICS	NE	ACH	RELATED	116,752	776,649		No	0	Yes		51 %
BERGAN MERCY SURGERY CENTER LLC 7710 MERCY ROAD STE 100 OMAHA, NE 68124 20-8671994	AMBUL SURG CTR	NE	ACH	RELATED	142,085	3,294,472		No	0		No	63 94 %
LAKESIDE AMBULATORY SURGICAL CENTER LLC 17031 LAKESIDE HILLS DR OMAHA, NE 68130 20-4267902	AMBUL SURG CTR	NE	ACH	RELATED	3,465,880	1,951,221		No	0		No	51 6 %
LAKESIDE ENDOSCOPY CENTER LLC 17001 LAKESIDE HILLS PLZ STE 201 OMAHA, NE 68130 20-5544496	ENDOSCOPY SRVC	NE	ACH	RELATED	1,455,294	1,013,126		No	0		No	52 28 %
NEBRASKA SPINE HOSPITAL LLC 6901 N 72ND STREET OMAHA, NE 68122 27-0263191	SPINE HOSPITAL	NE	ACH	RELATED	10,501,730	17,301,869		No	0		No	51 %
PRAIRIE HEALTH VENTURES LLC 421 S 9TH ST 102 LINCOLN, NE 68508 20-4962103	TECH SERVICES	NE	AH-IMC	RELATED	1,011,804	5,564,586		No	68,565	Yes		62 7 %
SAINT JOSEPH-ANC HOME CARE SERVICES 1700 EDISON DRIVE SUITE 300 MILFORD, OH 45150 26-3330545	HOME HEALTH	KY	JH	RELATED	3,208,139	9,684,824		No	0		No	96 9 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
LINCOLN CK LEASING LLC 8770 BRYN MAWR SUITE 1370 CHICAGO, IL 60631 26-2496856	REAL ESTATE	NE	SERMC	RELATED	397,452	439,334		No	0		No	53 76 %
HIGHLINE IMAGING LLC 275 SW 160TH ST BURIEN, WA 98166 20-0460005	DIAGNOSTIC	WA	HMC	RELATED	840,222	1,784,058		No	0		No	80 %
HC SL VINTAGE I LLC 18000 WEST SARAH LANE SUITE 250 BROOKFIELD, WI 53045 27-0453767	PROPERTY HOLD	WI	SL CDC - VINTAGE	RELATED	1,027,057	105,658,490		No	0		No	51 %
ST LUKE'S HOSPITAL AT THE VINTAGE LLC 6624 FANNIN SUITE 2505 HOUSTON, TX 77030 26-3734516	HOSPITAL	TX	SL CDC - VINTAGE	RELATED	-19,253,743	69,158,748		No	0	Yes		51 %
PMC HOSPITAL LLC 6624 FANNIN SUITE 2505 HOUSTON, TX 77030 27-3280598	HOSPITAL	TX	SL CDC - PMC	RELATED	1,092,540	20,751,174		No	0	Yes		51 %
ST LUKE'S DIAGNOSTIC CATH LAB LLP 6620 MAIN ST SUITE 1520 HOUSTON, TX 77030 71-0959365	DIAGNOSTIC	TX	SLHS HOLDINGS	RELATED	273,448	868,814		No	0		No	57 3 %
ST LUKE'S LAKESIDE HOSPITAL LLC 6624 FANNIN SUITE 2505 HOUSTON, TX 77030 30-0427437	HOSPITAL	TX	SL CDC - WOODLANDS	RELATED	1,106,628	25,874,619		No	0	Yes		51 %
ST LUKE'S THE WOODLANDS SLEEP CENTER LLC 6624 FANNIN SUITE 800 HOUSTON, TX 77030 46-2795726	DIAGNOSTIC	TX	SLHS HOLDINGS	RELATED	0	0		No	0		No	51 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
ALTERNATIVE INSURANCE MANAGEMENT SERVICE 3900 OLYMPIC BOULEVARD SUITE 400 ERLANGER, KY 41018 84-1112049	MANAGEMENT SERVICES	CO	CHI	C CORPORATION	0	6,272,746	100 %	Yes	
AMERICAN NURSING CARE 1700 EDISON DRIVE MILFORD, OH 45150 31-1085414	HOME HEALTH	OH	CHS	C CORPORATION	5,118,606	51,920,207	100 %	Yes	
AMERIMED INC 1700 EDISON DRIVE MILFORD, OH 45150 31-1158699	HOME HEALTH	OH	ANC	C CORPORATION	2,134,392	14,669,219	100 %	Yes	
BC HOLDING COMPANY INC 1850 BLUEGRASS AVE LOUISVILLE, KY 40215 31-1542851	FITNESS CLUB	KY	JH	C CORPORATION	0	0	100 %	Yes	
CADUCEUS MEDICAL ASSOCIATES INC 5600 BRAINERD ROAD SUITE 500 CHATTANOOGA, TN 37411 62-1570736	HEALTHCARE	TN	MHCS	C CORPORATION	0	1,008	100 %	Yes	
CAPTIVE MANAGEMENT INITIATIVES PO BOX 10073 APO GEORGETOWN, GRAND CAYMAN KY1-1001 CJ 98-0663022	CAPTIVE MANAGEMENT	CJ	CHI	C CORPORATION	0	0	100 %	Yes	
CATHOLIC HEALTH INITIATIVES CENTER FOR TRANSLATIONAL RESEARCH 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 27-2269511	RESEARCH	CO	CIRI	C CORPORATION	-2,286,538	1,241,259	100 %	Yes	
CGH REALTY COMPANY INC 2500 BERNVILLE RD READING, PA 19603 23-2326801	REAL ESTATE	PA	SJHM	C CORPORATION	0	0	100 %	Yes	
COMCARE SERVICES 4231 W 16TH AVENUE DENVER, CO 80204 84-0904813	INACTIVE	CO	CHIC	C CORPORATION	0	0	100 %	Yes	
CONSOLIDATED HEALTH SERVICES 1700 EDISON DRIVE MILFORD, OH 45150 31-1378212	HOME HEALTH	OH	CHI	C CORPORATION	-879,467	52,379,487	100 %	Yes	
DES MOINES MEDICAL CENTER INC 1111 6TH AVENUE DES MOINES, IA 50314 42-0837382	REAL ESTATE	IA	CHI-IA CORP	C CORPORATION	61,204	1,064,032	92 98 %	Yes	
FIRST INITIATIVES INSURANCE LTD PO BOX 10073 APO GEORGETOWN, GRAND CAYMAN KY1-1001 CJ 98-0203038	INSURANCE	CJ	CHI	C CORPORATION	0	0	100 %	Yes	
FRANCISCAN SERVICES INC 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 23-2487967	HEALTHCARE	CO	CHI	C CORPORATION	-7,868	718,254	100 %	Yes	
GOOD SAMARITAN OUTREACH SERVICES PO BOX 1990 KEARNEY, NE 68848 47-0659440	MEDICAL CLINIC	NE	CHI NEBRASKA	C CORPORATION	-257,418	180,468	100 %	Yes	
HEALTH SYSTEMS ENTERPRISES INC PO BOX 1990 KEARNEY, NE 68848 47-0664558	MANAGEMENT	NE	GSH	C CORPORATION	87,278	1,377,820	100 %	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
HEALTHCARE MGMT SERVICES ORG INC 1149 MARKET ST TACOMA, WA 98402 91-1865474	HEALTH ORG	WA	FHS	C CORPORATION	0	0	100 %	Yes	
MEDQUEST 1301 15TH AVENUE WEST WILLISTON, ND 58801 45-0392137	SALE OF DME	ND	MMC WILLISTON	C CORPORATION	153,510	1,152,715	100 %	Yes	
MERCY PARK APARTMENTS LTD 1111 6TH AVENUE DES MOINES, IA 50314 42-1202422	HOUSING	IA	CHI-IA CORP	C CORPORATION	369,231	1,937,218	100 %	Yes	
MERCY SERVICES CORP 2700 STEWART PARKWAY ROSEBURG, OR 97470 93-0824308	RETAIL SALES	OR	MMC	C CORPORATION	-440,596	1,423,377	100 %	Yes	
MHSERVICES CORPORATION 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 43-1457881	DME	MO	SJRMC	C CORPORATION	0	0	100 %	Yes	
MOUNTAIN MANAGEMENT SERVICES INC 5600 BRAINERD ROAD SUITE 500 CHATTANOOGA, TN 37411 62-1570739	MGMT SVC ORG	TN	MHCS	C CORPORATION	96,044	6,465,179	100 %	Yes	
NAZARETH ASSURANCE COMPANY PO BOX 10073 APO GEORGETOWN, GRAND CAYMAN KY1-1001 CJ 03-0304831	INSURANCE	CJ	CHI	C CORPORATION	0	0	100 %	Yes	
PATIENT TRANSPORT SERVICES INC 1700 EDISON DRIVE MILFORD, OH 45150 31-1100798	HOME HEALTH	OH	ANC	C CORPORATION	-164,340	5,488,275	100 %	Yes	
PHYSICIAN HEALTH SYSTEM NETWORK 1149 MARKET ST TACOMA, WA 98402 91-1746721	HEALTH ORG	WA	FHS	C CORPORATION	0	0	100 %	Yes	
SAINT CLARES PRIMARY CARE INC 66 FORD ROAD DENVILLE, NJ 07834 22-2441202	BILLING SERVICES	NJ	SCCC	C CORPORATION	-357,263	1,361,242	100 %	Yes	
SAMARITAN FAMILY CARE INC 40 W FOURTH ST 1700 DAYTON, OH 45402 31-1299450	HEALTHCARE	OH	SHP	C CORPORATION	0	0	100 %	Yes	
SJH SERVICES CORPORATION 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 23-2307408	HEALTHCARE	CO	FSI	C CORPORATION	-197,039	3,331,737	100 %	Yes	
SJL PHYSICIAN MANAGEMENT SERVICES INC 424 LEWIS HARGETT CR 160 LEXINGTON, KY 40503 27-0164198	MANAGEMENT	KY	SJHS	C CORPORATION	0	0	100 %	Yes	
ST ANTHONY DEVELOPMENT COMPANY 1415 SOUTHGATE PENDLETON, OR 97801 93-1216943	ATHLETIC CLUB	OR	SAH	C CORPORATION	114,663	2,936,102	100 %	Yes	
ST VINCENT COMMUNITY HEALTH SERVICES INC TWO ST VINCENT CIRCLE LITTLE ROCK, AR 72205 71-0710785	HEALTHCARE	AR	SVIMC	C CORPORATION	2,408,638	15,225,732	100 %	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
ST JOSEPH DEVELOPMENT COMPANY INC 1717 SOUTH J STREET TACOMA, WA 98405 91-1480569	RENTAL	WA	FSI	C CORPORATION	655,478	12,357,418	100 %	Yes	
ST JOSEPH OFFICE PARK ASSOCIATION 1401 HARRODSBURG ROAD BLDG B70 LEXINGTON, KY 40504 61-1079899	MANAGEMENT	KY	SJHS	C CORPORATION	0	882,139	85 %	Yes	
TOWSON MANAGEMENT INC 7601 OSLER DRIVE TOWSON, MD 21204 52-1710750	MANAGEMENT SERVICES	MD	FSI	C CORPORATION	516,457	197,196	100 %	Yes	
COLLABHEALTH MANAGED SOLUTIONS INC 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 46-1222808	HOLDING CO	CO	CHI	C CORPORATION	0	23,806,707	100 %	Yes	
COLLABHEALTH PLAN SERVICES INC 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 46-1224037	ADMIN SERVICES	CO	CHMS	C CORPORATION	-1,082,933	38,272,608	100 %	Yes	
HIGHLINE MEDICAL GROUP 15811 AMBAUM BLVD SW 170 BURIEN, WA 98166 91-1407026	MEDICAL SERVICES	WA	HMC	C CORPORATION	-6,049,147	5,689,139	100 %	Yes	
SOUNDPATH HEALTH INC 32129 WEYERHAEUSER WAY S SUITE 201 FEDERAL WAY, WA 98001 42-1720801	INSURANCE	WA	CHPS	C CORPORATION	-154,741	10,976,973	55 6 %	Yes	
SLEHS HOLDINGS INC 6624 FANNIN SUITE 800 HOUSTON, TX 77030 76-0637138	HOLDING CO	TX	SLHS	C CORPORATION	1,425,313	33,114,103	100 %	Yes	
ST LUKE'S ANESTHESIOLOGY ASSOCIATES 6624 FANNIN SUITE 1100 HOUSTON, TX 77030 46-1517163	MEDICAL CLINIC	TX	SLMC	C CORPORATION	0	0	100 %	Yes	
SLMT PARKING INC 6624 FANNIN SUITE 800 HOUSTON, TX 77030 76-0637140	PARKING	TX	SLHS	C CORPORATION	1,117,934	13,768,221	100 %	Yes	
ST LUKE'S 6620 MAIN CONDOMINIUM ASSOCIATION 6624 FANNIN SUITE 1100 HOUSTON, TX 77030 30-0355517	CONDOMINIUM ASSOC	TX	SLPC	C CORPORATION	0	0	100 %	Yes	
ST LUKE'S EPISCOPAL HOSPITAL PHYSICIAN HOSPITAL ORGANIZATION INC 6720 BERTNER HOUSTON, TX 77030 76-0377932	PHO	TX	SLMC	C CORPORATION	6	0	60 %	Yes	
ST LUKE'S MEDICAL ARTS CENTER I CONDOMINIUM ASSOCIATION 6624 FANNIN SUITE 1100 HOUSTON, TX 77030 30-0355518	CONDOMINIUM ASSOC	TX	SLPC	C CORPORATION	0	0	100 %	Yes	
ST LUKE'S MEDICAL TOWER CONDOMINIUM ASSOCIATION 6624 FANNIN SUITE 1100 HOUSTON, TX 77030 76-0298751	CONDOMINIUM ASSOC	TX	SLMTC	C CORPORATION	0	0	100 %	Yes	
SUGAR LAND DOCTOR GROUP 1317 LAKE POINTE PARKWAY SUGAR LAND, TX 77478 45-4270163	MEDICAL CLINIC	TX	SL CHS	C CORPORATION	-1,159,411	566,590	100 %	Yes	

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

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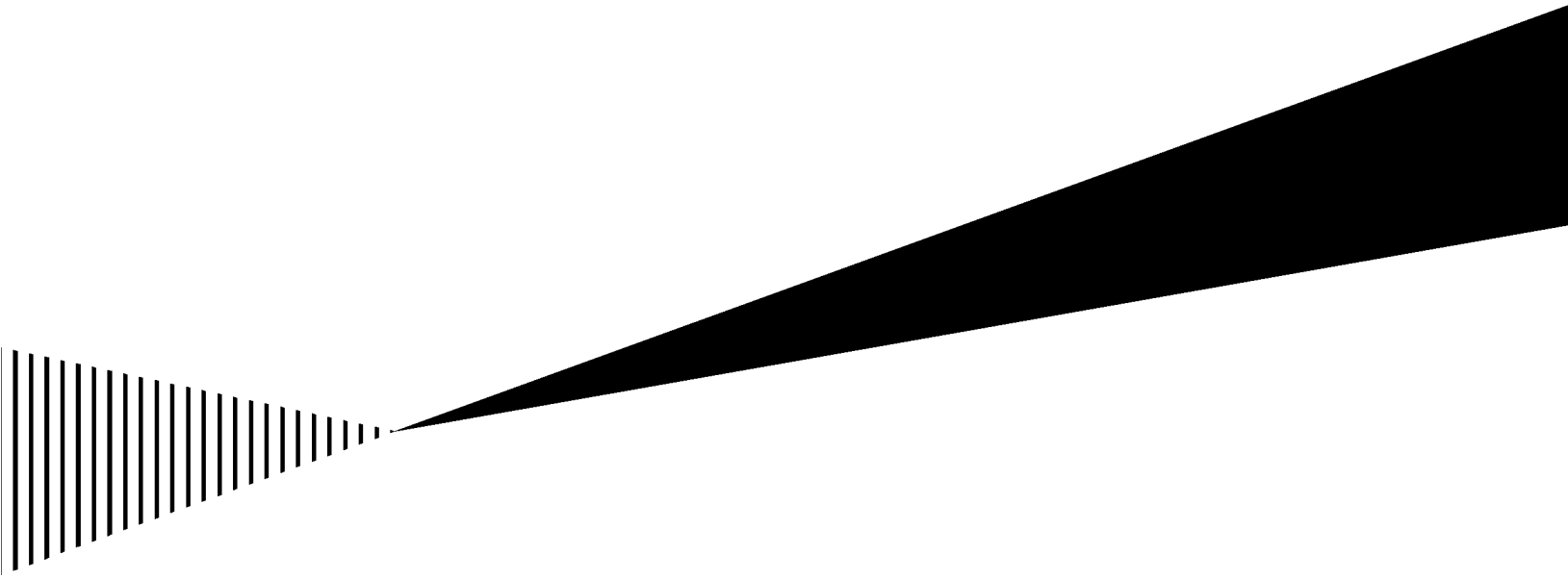
								Yes	No
THE TEXAS HEART INSTITUTE AT ST LUKE'S EPISCOPAL HOSPITAL DENTON A COOLEY B UILDING CONDOMINIUM ASSOCIATION 6624 FANNIN SUITE 1100 HOUSTON, TX 77030 90-0064009	CONDOMINIUM ASSOC	TX	SLMC	C CORPORATION	0	0	100 %	Yes	
ALEGENT HEALTHCREIGHTON ST JOSEPH MANAGED CARE SERVICES INC 12809 WEST DODGE ROAD OMAHA, NE 68154 47-0802396	MANAGED CARE	NE	ACH	C CORPORATION	5,312,313	4,520,865	100 %	Yes	
ALL SAINTS INSURANCE COMPANY SPC LTD PO BOX 69 GT 720 WEST BAY ROAD GEORGETOWN, GRAND CAYMAN KY-1102 CJ	INSURANCE	CJ	SLHS	C CORPORATION	0	43,866,961	100 %	Yes	
VINTAGE DOCTOR GROUP 6624 FANNIN SUITE 1100 HOUSTON, TX 77030	MEDICAL CLINIC	TX	SLMC	C CORPORATION	0	0	100 %	Yes	

CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS ON FEDERAL AWARD PROGRAMS

Catholic Health Initiatives
Year Ended June 30, 2013
With Reports of Independent Auditors

Ernst & Young LLP



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Catholic Health Initiatives

Consolidated Financial Statements and Reports on Federal Award Programs

Year Ended June 30, 2013

Contents

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Report of Independent Auditors

The Board of Stewardship Trustees
Kevin E Lofton, President and Chief Executive Officer
Dean Swindle, President Enterprise Business Lines and
Chief Financial Officer
Catholic Health Initiatives

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Health Initiatives (CHI), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits We did not audit the financial statements of Alegent Health – Bergan Mercy Health System, as a wholly sponsored direct affiliate of CHI, which statements reflect total assets of $716 0 million as of June 30, 2012, and total revenues of $452 0 million for the year then ended Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Alegent Health – Bergan Mercy Health System is based solely on the report of other auditors We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, based on our audits, and for 2012 the report of other auditors, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of Catholic Health Initiatives as of June 30, 2013 and 2012, and the results of its consolidated operations, changes in its net assets and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

Adoption of Accounting Standard

As disclosed in Note 1 to the consolidated financial statements, CHI changed its presentation and disclosure of bad debt expense as a result of the adoption of the amendments to the Financial Accounting Standards Update No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* Our opinion is not modified with respect to this matter

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2013, on our consideration of Catholic Health Initiatives' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Health Initiatives internal control over financial reporting and compliance

Ernst & Young LLP

September 17, 2013

Catholic Health Initiatives

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2013	**2012**
Assets		
Current assets		
Cash and equivalents	**$ 609,226**	$ 403,972
Net patient accounts receivable, less allowances for bad debt of $858,394 and $687,631 in 2013 and 2012, respectively	**1,755,348**	1,353,928
Other accounts receivable	**197,917**	115,884
Current portion of investments and assets limited as to use	**11,697**	1,901
Inventories	**247,720**	185,571
Assets held for sale	**215,777**	485,074
Prepaid and other	**137,776**	87,125
Total current assets	**3,175,461**	2,633,455
Investments and assets limited as to use:		
Internally designated for capital and other funds	**5,452,023**	4,588,520
Mission and Ministry Fund	**121,109**	110,918
Capital Resource Pool	**416,938**	320,218
Held by trustees	**16,726**	228
Held for insurance purposes	**825,885**	745,127
Restricted by donors	**266,325**	162,776
Total investments and assets limited as to use	**7,099,006**	5,927,787
Property and equipment, net	**7,786,240**	5,346,535
Deferred financing costs	**36,557**	28,717
Investments in unconsolidated organizations	**416,816**	307,918
Intangible assets and goodwill, net	**364,751**	162,880
Notes receivable and other	**430,888**	605,094
Total assets	**$ 19,309,719**	$ 15,012,386

	June 30	
	2013	**2012**
Liabilities and net assets		
Current liabilities		
Compensation and benefits	**$ 600,837**	$ 418,596
Third-party liabilities	**110,571**	76,660
Accounts payable and accrued expenses	**1,066,930**	717,087
Liabilities held for sale	**91,412**	105,446
Variable-rate debt with self liquidity	**321,455**	321,455
Commercial paper and current portion of debt	**749,617**	643,083
Total current liabilities	**2,940,822**	2,282,327
Pension liability	**472,852**	892,820
Self-insured reserves and claims	**616,652**	513,584
Other liabilities	**698,283**	236,763
Long-term debt	**6,334,985**	3,778,709
Total liabilities	**11,063,594**	7,704,203
Net assets		
Net assets attributable to CHI	**7,769,310**	6,922,466
Net assets attributable to noncontrolling interests	**175,663**	180,863
Unrestricted	**7,944,973**	7,103,329
Temporarily restricted	**214,524**	136,821
Permanently restricted	**86,628**	68,033
Total net assets	**8,246,125**	7,308,183
Total liabilities and net assets	**$ 19,309,719**	$ 15,012,386

See accompanying notes.

Catholic Health Initiatives

Consolidated Statements of Operations
(In Thousands)

	Year Ended June 30	
	2013	**2012**
Revenues		
Net patient services revenues before provision for doubtful accounts	**$ 10,714,455**	$ 9,223,859
Provision for doubtful accounts	**(821,465)**	(708,458)
Net patient services revenues	**9,892,990**	8,515,401
Nonpatient		
Donations	**31,089**	25,833
Changes in equity of unconsolidated organizations	**19,056**	22,934
Investment income used for operations	**66,529**	37,169
Other	**698,561**	532,303
Total nonpatient revenues	**815,235**	618,239
Total operating revenues	**10,708,225**	9,133,640
Expenses		
Salaries and wages	**4,424,404**	3,776,086
Employee benefits	**970,824**	749,098
Purchased services, medical professional fees, consulting and legal	**1,361,778**	924,785
Supplies	**1,832,984**	1,566,359
Utilities	**152,979**	120,201
Rentals, leases, maintenance and insurance	**616,683**	523,042
Depreciation and amortization	**555,064**	473,768
Interest	**164,353**	129,648
Other	**624,756**	511,152
Total operating expenses before restructuring, impairment and other losses	**10,703,825**	8,774,139
Income from operations before restructuring, impairment and other losses	**4,400**	359,501
Restructuring, impairment, and other losses	**59,343**	47,735
(Loss) income from operations	**(54,943)**	311,766
Nonoperating gains (losses)		
Investment income, net	**488,824**	19,770
Loss on defeasance of bonds	**(17,998)**	(70,555)
Realized and unrealized gains (losses) on interest rate swaps	**65,843**	(153,411)
Other nonoperating gains (losses)	**7,977**	(12,215)
Total nonoperating gains (losses)	**544,646**	(216,411)
Excess of revenues over expenses	**489,703**	95,355
(Deficit) excess of revenues over expenses attributable to noncontrolling interest	**(37)**	537
Excess of revenues over expenses attributable to CHI	**$ 489,740**	$ 94,818

See accompanying notes

Catholic Health Initiatives

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Unrestricted Net Assets					
	Attributable to CHI	Attributable to Noncontrolling Interest	Total	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balances, June 30, 2011	$ 7,448,161	$ 8,967	$ 7,457,128	$ 122,795	$ 62,426	$ 7,642,349
Excess of revenues over expenses	94,818	537	95,355	–	–	95,355
Net loss from discontinued operations	(45,095)	–	(45,095)	–	–	(45,095)
Increase in pension funded status	(618,141)	(878)	(619,019)	–	–	(619,019)
Temporarily and permanently restricted contributions	–	–	–	39,117	(122)	38,995
Net assets released from restriction for capital	18,119	–	18,119	(18,119)	–	–
Net assets released from restriction for operations	–	–	–	(19,689)	–	(19,689)
Investment income	232	–	232	1,007	47	1,286
KentuckyOne Health noncontrolling interest	–	181,551	181,551	–	–	181,551
Other changes in net assets	24,372	(9,314)	15,058	11,710	5,682	32,450
Net (decrease) increase in net assets	(525,695)	171,896	(353,799)	14,026	5,607	(334,166)
Balances, June 30, 2012	6,922,466	180,863	7,103,329	136,821	68,033	7,308,183
Excess of revenues over expenses	**489,740**	**(37)**	**489,703**	–	–	**489,703**
Net loss from discontinued operations	**(108,594)**	–	**(108,594)**	–	–	**(108,594)**
Decrease in pension funded status	**483,468**	**2,082**	**485,550**	–	–	**485,550**
Temporarily and permanently restricted contributions	–	–	–	**33,056**	**(1,554)**	**31,502**
Net assets released from restriction for capital	**15,791**	–	**15,791**	**(15,791)**	–	–
Net assets released from restriction for operations	–	–	–	**(15,728)**	–	**(15,728)**
Investment (loss) income	**(45)**	–	**(45)**	**5,393**	**1,280**	**6,628**
Temporarily and permanently restricted assets from acquisitions	–	–	–	**74,253**	**19,171**	**93,424**
Other changes in net assets	**(33,516)**	**(7,245)**	**(40,761)**	**(3,480)**	**(302)**	**(44,543)**
Net increase (decrease) in net assets	**846,844**	**(5,200)**	**841,644**	**77,703**	**18,595**	**937,942**
Balances, June 30, 2013	**$ 7,769,310**	**$ 175,663**	**$ 7,944,973**	**$ 214,524**	**$ 86,628**	**$ 8,246,125**

See accompanying notes

Catholic Health Initiatives

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2013	**2012**
Operating activities		
Increase (decrease) in net assets	**$ 937,942**	$ (334,166)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	**555,064**	473,768
Provision for bad debts	**821,465**	708,458
Changes in equity of unconsolidated organizations	**(19,056)**	22,934
Net gains on sales of facilities and investments in unconsolidated organizations	**(85,969)**	(57,383)
Noncash operating expenses related to restructuring, impairment, and other losses	**4,872**	16,024
Loss on defeasance of bonds	**17,998**	70,555
(Increase) decrease in fair value of interest rate swaps	**(98,799)**	121,949
(Decrease) increase in unfunded pension liability	**(484,049)**	601,990
Net changes in current assets and liabilities		
Net patient and other accounts receivable	**(1,067,716)**	(883,703)
Other current assets	**(6,725)**	(10,992)
Current liabilities	**89,868**	2,771
Noncontrolling equity of acquisition of JHSMH	**–**	(181,551)
Other changes	**193,461**	(120,416)
Net cash provided by operating activities, before net change in investments and assets limited as to use	**858,356**	430,238
Net decrease in investments and assets limited as to use	**474,258**	286,773
Net cash provided by operating activities	**1,332,614**	717,011
Investing activities		
Purchases of property, equipment, and other capital assets	**(1,285,330)**	(861,034)
Purchase of St Luke's Health System, net of cash acquired	**(961,014)**	–
Purchase of Alegent Creighton Health, net of cash acquired	**(505,542)**	–
Cash acquired on affiliation agreement with UMC	**53,458**	–
Cash acquired on contribution of Highline Medical Center	**14,238**	–
Purchase of Nebraska Heart, net of cash acquired	**–**	(130,982)
Purchase of JHSMH, net of cash acquired	**–**	(28,685)
Net cash proceeds from asset sales	**218,002**	22,159
Distributions from investments in unconsolidated organizations	**35,224**	40,214
Cash from net repayments of notes receivable	**2,843**	29,740
Other changes	**35,306**	21,373
Net cash used in investing activities	**(2,392,815)**	(907,215)

Catholic Health Initiatives

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	Year Ended June 30	
	2013	**2012**
Financing activities		
Proceeds from issuance of debt	**$ 1,591,465**	$ 1,126,463
Costs associated with issuance of debt	**(12,170)**	(8,855)
Repayment of debt	**(313,840)**	973,106
Net cash provided by financing activities	**1,265,455**	144,502
Increase (decrease) in cash and equivalents	**205,254**	(45,702)
Cash and equivalents at beginning of year	**403,972**	449,674
Cash and equivalents at end of year	**$ 609,226**	$ 403,972
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, including amounts capitalized	**$ 199,413**	$ 151,837

See accompanying notes

1. Summary of Significant Accounting Policies

Organization

Catholic Health Initiatives (CHI), established in 1996, is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code CHI sponsors market-based organizations (MBO) and other facilities in 17 states, including 86 acute-care hospitals, of which 23 are designated as critical access hospitals by the Medicare program, two community health service organizations, two accredited nursing colleges, home health agencies, and several other sites including long-term care, assisted living and residential facilities CHI also has an offshore captive insurance company, First Initiatives Insurance, Ltd (FIIL)

The mission of CHI is to nurture the healing ministry of the Church by bringing it new life, energy and viability in the 21st century Fidelity to the Gospel urges CHI to emphasize human dignity and social justice as it moves toward the creation of healthier communities

Principles of Consolidation

CHI consolidates all direct affiliates in which it has sole corporate membership or ownership (Direct Affiliates) and all entities in which it has greater than 50% equity interest with commensurate control All significant intercompany accounts and transactions are eliminated in consolidation

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and equivalents, patient accounts receivable, investments and assets limited as to use, notes receivable, accounts payable, and long-term debt The carrying amounts reported in the consolidated balance sheets for these items approximate fair value

Cash and Equivalents

Cash and equivalents include all deposits with banks and investments in interest-bearing securities with maturity dates of 90 days or less from the date of purchase In addition, cash and equivalents include deposits in short-term funds held by professional managers The funds generally invest in high-quality, short-term debt securities, including U S government securities,

1. Summary of Significant Accounting Policies (continued)

securities issued by domestic and foreign banks, such as certificates of deposit and bankers' acceptances, repurchase agreements, asset-backed securities, high-grade commercial paper and corporate short-term obligations

Net Patient Accounts Receivable and Net Patient Services Revenues

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected These estimated amounts are subject to further adjustments upon review by third-party payors

The provision for bad debts is based upon management's assessment of historical and expected net collections, taking into consideration historical business and economic conditions, trends in health care coverage and other collection indicators Management routinely assesses the adequacy of the allowances for uncollectible accounts based upon historical write-off experience by payor category The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible net patient accounts receivable After satisfaction of amounts due from insurance, CHI follows established guidelines for placing certain patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by each facility In accordance with Accounting Standards Update (ASU) No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Entities*, the provision for bad debts is presented on the consolidated statement of operations as a deduction from patient services revenues (net of contractual allowances and discounts) since CHI accepts and treats all patients without regard to the ability to pay

During fiscal year 2013, CHI added approximately $400 0 million in net patient accounts receivable due to the acquisition of various new subsidiaries – see Note 4, *Acquisitions and Divestitures* As a result, the accounts receivable reserve and allowance accounts have increased materially from June 30, 2012 Exclusive of acquisition activity, the total write-offs of uncollectible accounts and reserves on self-pay patient accounts have not changed significantly

1. Summary of Significant Accounting Policies (continued)

from year to year CHI has not experienced significant changes in write-off trends and there have been no significant changes to its charity care policy Details of CHI's allowance activity is as follows

	Reserve for Contractual Allowance	Allowance for Bad Debt	Reserve for Charity	Total Accounts Receivable Allowances
Balance at July 1, 2011	$ (1,543,707)	$ (636,815)	$ (124,547)	$ (2,305,069)
Additions	(17,362,247)	(809,567)	(1,027,652)	(19,199,466)
Reductions	16,958,204	758,751	1,000,851	18,717,806
Balance at June 30, 2012	(1,947,750)	(687,631)	(151,348)	(2,786,729)
Additions	**(21,690,860)**	**(886,571)**	**(1,219,555)**	**(23,796,986)**
Reductions	**20,778,640**	**715,808**	**803,787**	**22,298,235**
Balance at June 30, 2013	**$ (2,859,970)**	**$ (858,394)**	**$ (567,116)**	**$ (4,285,480)**

CHI records net patient services revenues in the period in which services are performed CHI has agreements with third-party payors that provide for payments at amounts different from its established rates The basis for payment under these agreements includes prospectively determined rates, cost reimbursement and negotiated discounts from established rates, and per diem payments

Net patient services revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments due to future audits, reviews and investigations, and excluding estimated amounts considered uncollectible The differences between the estimated and actual adjustments are recorded as part of net patient services revenues in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews and investigations

Investments and Assets Limited as to Use

Investments and assets limited as to use include assets set aside by CHI for future long-term purposes, including capital improvements and self-insurance In addition, assets limited as to use include amounts held by trustees under bond indenture agreements, amounts contributed by donors with stipulated restrictions and amounts held for Mission and Ministry programs

1. Summary of Significant Accounting Policies (continued)

CHI has designated its investment portfolio as trading Accordingly, unrealized gains and losses on marketable securities are reported within excess of revenues over expenses In addition, cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows

Direct investments in equity securities with readily determinable fair values and all direct investments in debt securities have been measured at fair value in the accompanying consolidated balance sheets Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law

Investments in limited partnerships and limited liability companies are recorded using the equity method of accounting (which approximates fair value as determined by the net asset values of the related unitized interests) with the related changes in value in earnings reported as investment income in the accompanying consolidated financial statements

Inventories

Inventories, primarily consisting of pharmacy drugs, and medical and surgical supplies, are stated at lower of cost (first-in, first-out method) or market

Assets and Liabilities Held for Sale

A long-lived asset or disposal group of assets and liabilities that is expected to be sold within one year is classified as held for sale For long-lived assets held for sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level 3 inputs)

Property and Equipment

Property and equipment are stated at historical cost or, if donated or impaired, at fair value at the date of receipt or impairment Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method For property and equipment under capital lease, amortization is determined over the shorter period of the lease term or the estimated useful life of the property and equipment Interest cost incurred during the

1. Summary of Significant Accounting Policies (continued)

period of construction of major capital projects is capitalized as a component of the cost of acquiring those assets Capitalized interest of $30 4 million and $14 6 million was recorded in 2013 and 2012, respectively

Costs incurred in the development and installation of internal-use software are typically expensed if they are incurred in the preliminary project stage or post-implementation stage, while certain costs are capitalized if incurred during the application development stage Amounts capitalized are amortized over the useful life of the developed asset following project completion

Investments in Unconsolidated Organizations

Investments in unconsolidated organizations are accounted for under the cost or equity method of accounting, as appropriate, based on the relative percentage of ownership or degree of influence over that organization The equity income or loss on these investments is recorded in the consolidated statements of operations as changes in equity of unconsolidated organizations

During fiscal year 2013, CHI entered into an eleven-year agreement with Conifer Health Solutions (Conifer) to provide revenue cycle services for CHI acute care operations The agreement allows CHI to earn shares in Conifer as transition and other activities are completed per the agreement Such shares will be issued at specified future dates As of June 30, 2013, CHI has received 2,000 shares in Conifer with a fair market value of $19 3 million and which is reflected as an investment in unconsolidated organizations on the consolidated balance sheet CHI has also met certain transition milestones for which CHI has earned the right to additional future shares valued at $19 1 million at June 30, 2013, which are reflected in notes receivable and other in the accompanying consolidated financial statements This earned value will be amortized as an offset to revenue cycle service fees paid to Conifer over the life of the agreement

Intangible Assets and Goodwill

Intangible assets are comprised primarily of trade names and non-compete agreements, which are amortized over the estimated useful lives ranging from 10 to 15 years using the straight-line method Amortization expense of $5 2 million and $4 9 million was recorded in 2013 and 2012, respectively

1. Summary of Significant Accounting Policies (continued)

Goodwill is not amortized but is subject to annual impairment tests as well as more frequent reviews whenever circumstances indicate a possible impairment may exist Impairment testing of goodwill is done at the MBO level by comparing the fair value of the MBO's net assets against the carrying value of the MBO's net assets, including goodwill Each MBO is defined as a reporting unit for purposes of impairment testing The fair value of net assets is calculated based on quantitative analysis of discounted cash flows The fair value of goodwill is determined by assigning fair values to assets and liabilities and calculating any remaining fair value as the implied fair value of goodwill

A summary of intangible assets and goodwill is as follows as of June 30 (in thousands)

	2013	2012
Intangible assets	**$ 107,603**	$ 62,754
Less accumulated amortization	**(25,467)**	(20,298)
	82,136	42,456
Goodwill	**282,615**	120,424
Total intangible assets and goodwill, net	**$ 364,751**	$ 162,880

Intangible assets and goodwill increased during fiscal year 2013 due to the acquisitions of Alegent Creighton Health and Affiliates, University Medical Center and University of Louisville Hospital, Highline Medical Center and St Luke's Health System as discussed in Note 4, *Acquisitions and Divestitures*

Notes Receivable and Other Assets

Other assets consist primarily of notes receivable, pledges receivable, deferred compensation assets, prepaid service contracts, deposits and other long-term assets Notes receivable from related entities at June 30, 2013, include balances from Bethesda Hospital, Inc (Bethesda), the non-CHI joint operating agreement (JOA) partner in the Cincinnati, Ohio JOA As of June 30, 2012, notes receivable also included balances from Alegent Health Immanuel Medical Center (Immanuel), the non-CHI JOA partner, which was not a consolidated subsidiary of CHI until November 1, 2012, when CHI became the sole sponsor of Alegent Creighton Health and Affiliates (Alegent), including Immanuel Subsequent to November 1, 2012, the Immanuel notes receivable balance was recorded as an intercompany note and eliminated in consolidation All of

1. Summary of Significant Accounting Policies (continued)

the notes bear interest at rates commensurate with the CHI blended interest cost and require monthly debt service payments

A summary of notes receivable and other assets is as follows as of June 30 (in thousands)

	2013	2012
Total notes receivable from related entities	**$ 188,275**	$ 465,400
Reinsurance recoverable on unpaid losses and loss adjustment expense	**71,801**	42,703
Deferred compensation assets	**41,014**	29,027
Other long-term assets	**129,798**	67,964
Total notes receivable and other	**$ 430,888**	$ 605,094

Bethesda is a Designated Affiliate in the CHI credit group under the Capital Obligation Document (COD) As conditions of joining the CHI credit group, Bethesda has agreed to certain covenants related to corporate existence, insurance coverage, exempt use of bond-financed facilities, maintenance of certain financial ratios, and compliance with limitations on the incurrence of additional debt Based upon management's review of the creditworthiness of Bethesda and its compliance with the covenants and limitations, no allowances for uncollectible notes receivable were recorded at June 30, 2013 and 2012

Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, including endowment funds Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes primarily to purchase equipment, to provide charity care, and to provide other health and educational programs and services

Unconditional promises to receive cash and other assets are reported at fair value at the date the promise is received Conditional promises and indications of donors' intentions to give are reported at fair value at the date the conditions are met or the gifts are received All unrestricted

1. Summary of Significant Accounting Policies (continued)

contributions are included in the excess of revenue over expenses as donation revenues Other gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as donations revenue when restricted for operations or as unrestricted net assets when restricted for property and equipment

Performance Indicator

The performance indicator is the excess of revenues over expenses, which includes all changes in unrestricted net assets other than changes in the pension liability funded status, net assets released from restrictions for property acquisitions, the cumulative effect of changes in accounting principles, discontinued operations, contributions of property and equipment, and other changes not required to be included within the performance indicator under generally accepted accounting principles

Operating and Nonoperating Activities

CHI's primary mission is to meet the health care needs in its market areas through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, physician services, long-term care, and other health care services Activities directly associated with the furtherance of this purpose are considered to be operating activities Earnings from fixed-income investments held by FIIL are also classified within operating activities as such earnings support FIIL operations Other activities that result in gains or losses peripheral to CHI's primary mission are considered to be nonoperating Nonoperating activities include all other investment earnings, losses from bond defeasance, net interest cost and changes in fair value of interest rate swaps, and the nonoperating component of JOA income share adjustments

Charity Care

As an integral part of its mission, CHI accepts and treats all patients without regard to the ability to pay Services to patients are classified as charity care in accordance with standards established across all MBOs Charity care represents services rendered for which partial or no payment is expected, and includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured CHI determines the cost

1. Summary of Significant Accounting Policies (continued)

of charity care on the basis of an MBO's total cost as a percentage of total charges applied to the charges incurred by patients qualifying for charity care under CHI's policy This amount is not included in net patient services revenues in the accompanying consolidated statements of operations and changes in net assets The estimated cost of charity care provided was $320 7 million and $248 7 million in 2013 and 2012, respectively, for continuing operations, and $2 0 million and $6 8 million in 2013 and 2012, respectively, for discontinued operations

Other Nonpatient Revenues

Other nonpatient revenues include services sold to external health care providers, gains on acquisitions of subsidiaries, cafeteria sales, rental income, retail pharmacy and durable medical equipment sales, auxiliary and gift shop revenues, meaningful use payments, gains and losses on the sales of assets, the operating portion of revenue-sharing income or expense associated with Direct Affiliates that are part of JOAs, and revenues from other miscellaneous sources

Derivative and Hedging Instruments

CHI uses derivative financial instruments (interest rate swaps) in managing its capital costs These interest rate swaps are recognized at fair value on the consolidated balance sheets CHI has not designated its interest rate swaps related to CHI's long-term debt as hedges The net interest cost and change in the fair value of such interest rate swaps is recognized as a component of nonoperating gains (losses) in the accompanying consolidated statements of operations It is CHI's policy to net the value of collateral on deposit with counterparties against the fair value of its interest rate swaps in other liabilities on the consolidated balance sheets

Functional Expenses

CHI provides inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities Support services include administration, finance and accounting, information technology, public relations, human resources, legal, mission services and other functions that are supported centrally for all of CHI Support services expenses as a percentage of total operating expenses were approximately 5 5% and 5 0% in 2013 and 2012, respectively

1. Summary of Significant Accounting Policies (continued)

Restructuring, Impairment and Other Losses

CHI periodically evaluates property, equipment, goodwill and certain other intangible assets to determine whether assets may have been impaired Management determined there were certain property and equipment impairments in both 2013 and 2012 to the extent that the fair values (estimated based upon discounted cash flows) of those assets were less than the underlying carrying values

During the years ended June 30, 2013 and 2012, CHI recorded total charges of $155 3 million and $58 7 million, respectively, relating to asset impairments and changes in business operations, including reorganization and severance costs Of this amount, $59 3 million and $47 7 million were from continuing operations and reported in the consolidated statements of operations for 2013 and 2012, respectively, and $96 0 million and $11 0 million were reported as discontinued operations in the consolidated statements of changes in net assets for 2013 and 2012, respectively

Income Taxes

CHI is a tax-exempt Colorado corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code CHI owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and therefore subject to income tax

Management reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses Actual results could vary from the estimates

1. Summary of Significant Accounting Policies (continued)

Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 to certain hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology in ways that demonstrate improved quality and effectiveness of care Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period An initial Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology

CHI accounts for meaningful use incentive payments under the gain contingency model Medicare EHR incentive payments are recognized as revenues when eligible providers demonstrate meaningful use of certified EHR technology and the cost report information for the full cost report year that will determine the full calculation of the incentive payment is available Medicaid EHR incentive payments are recognized as revenues when an eligible provider demonstrates meaningful use of certified EHR technology CHI recognized $32 5 million and $11 3 million of Medicare meaningful use revenues and $8 2 million and $20 7 million of Medicaid meaningful use revenues in its consolidated statements of operations for fiscal year 2013 and 2012, respectively

Reclassifications

Certain reclassifications were made to the 2012 consolidated financial statement presentation to conform to the 2013 presentation

2. Community Benefit (Unaudited)

In accordance with its mission and philosophy, CHI commits substantial resources to sponsor a broad range of services to both the poor and the broader community Community benefit provided to the poor includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured This type of community benefit includes the costs of traditional charity care, unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs, services such as free clinics and

2. Community Benefit (Unaudited) (continued)

meal programs for which a patient is not billed or for which a nominal fee has been assessed, and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community

Community benefit provided to the broader community includes the costs of providing services to other populations who may not qualify as poor but may need special services and support This type of community benefit includes the costs of services such as health promotion and education, health clinics and screenings, all of which are not billed or can be operated only on a deficit basis, unpaid portions of training health professionals such as medical residents, nursing students and students in allied health professions, and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols

A summary of the cost of community benefit provided to both the poor and the broader community is as follows (in thousands)

	2013	2012
Cost of community benefit		
Cost of charity care provided	**$ 320,666**	$ 248,667
Unpaid cost of public programs, Medicaid and other indigent care programs	**289,436**	280,785
Nonbilled services	**36,237**	28,514
Cash and in-kind donations	**3,904**	3,221
Education research	**48,186**	49,640
Other benefit	**55,427**	52,369
Total cost of community benefit from continuing operations	**753,856**	663,196
Total cost of community benefit from discontinued operations	**8,095**	18,785
Total cost of community benefit	**761,951**	681,981
Unpaid cost of Medicare from continuing operations	**392,485**	368,245
Unpaid cost of Medicare from discontinued operations	**27,055**	26,226
Total unpaid cost of Medicare	**419,540**	394,471
Total cost of community benefit and the unpaid cost of Medicare	**$ 1,181,491**	$ 1,076,452

2. Community Benefit (Unaudited) (continued)

The summary above has been prepared in accordance with the Catholic Health Association of the United States (CHA) publication, *A Guide for Planning & Reporting Community Benefit* Community benefit is measured on the basis of total cost, net of any offsetting revenues, donations or other funds used to defray cost During fiscal year 2013, CHI received $28 3 million in funds used to subsidize charity care provided

The total cost of community benefit from continuing and discontinued operations was 6 8% and 7 2% of total expenses before operating expenses related to restructuring, impairment and other losses in 2013 and 2012, respectively The total cost of community benefit and the unpaid cost of Medicare from continuing and discontinued operations was 10 5% and 11 3% of total expenses before operating expenses related to restructuring, impairment and other losses in 2013 and 2012, respectively

3. Joint Operating Agreements and Investments in Unconsolidated Organizations

Joint Operating Agreements

CHI participates in JOAs with hospital-based organizations in three separate market areas The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOAs through Joint Operating Companies (JOC) CHI retains ownership of the assets, liabilities, equity, revenues and expenses of the CHI facilities that participate in the JOAs The financial statements of the CHI facilities managed under all JOAs are included in the CHI consolidated financial statements Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements

As of June 30, 2013, CHI has a 70% interest in a JOC based in Colorado and has a 50% interest in two other JOCs associated with other JOAs As of June 30, 2012, CHI also held a 50% interest in the Alegent JOC, which was dissolved in November 2012 when CHI became the sole sponsor of Alegent The dissolution resulted in a remeasurement of CHI's interest and the recognition of a $21 0 million gain in fiscal year 2013 Such gain is reflected in other nonpatient revenues in the consolidated statements of operations

CHI's interests in the JOCs are included in investments in unconsolidated organizations and totaled $103 0 million and $99 0 million at June 30, 2013 and 2012, respectively CHI recognizes its investment in all JOCs under the equity method of accounting The JOCs provide

3. Joint Operating Agreements and Investments in Unconsolidated Organizations (continued)

varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization The unconsolidated JOCs had total assets of $484 0 million and $688 0 million at June 30, 2013 and 2012, respectively, and net assets of $161 0 million and $156 0 million, respectively

Investments in Unconsolidated Organizations

CHI Kentucky – Effective on January 1, 2012, CHI purchased a controlling interest in Jewish Hospital and St Mary's Healthcare Inc and affiliates (JHSMH) CHI contributed its controlling interest, including its 25% joint venture investment in JHSMH, into a newly formed consolidated subsidiary, KentuckyOne Health (see Note 4, *Acquisitions and Divestitures*) As a result of the change in control of its investment in JHSMH, CHI recognized a gain in fiscal year 2012 on the remeasurement of its joint venture investment of $45 0 million reported in other nonpatient revenues in the consolidated statements of operations

Preferred Professional Insurance Corporation (PPIC) – PPIC is an unconsolidated affiliate of CHI PPIC provides professional liability insurance and other related services to preferred physician and other health care providers that are associated with its owners CHI owns a 27% interest in PPIC and accounts for its investment under the equity method of accounting The book value of the investment was $56 0 million and $50 0 million at June 30, 2013 and 2012, respectively PPIC had net assets of $208 0 million and $184 0 million at December 31, 2012 and 2011, respectively

3. Joint Operating Agreements and Investments in Unconsolidated Organizations (continued)

Other Entities – The summarized financial positions and results of operations for the other entities accounted for under the equity method as of and for the periods ended June 30, excluding the investments described above, are as follows (in thousands)

	2013					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Practices	Other Investees	Total
Total assets	$ 34,746	$ 265,568	$ 65,084	$ 28,697	$ 275,661	$ 669,756
Total debt	33,106	24,408	11,998	12,535	60,474	142,521
Net assets	1,414	195,874	44,996	8,758	172,800	423,842
Net patient services revenues	–	260,204	138,577	34,197	167,914	600,892
Total revenues, net	6,309	353,484	142,775	37,065	310,439	850,072
Excess of revenues over expenses	872	34,633	44,385	4,241	29,416	113,547

	2012					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Practices	Other Investees	Total
Total assets	$ 29,557	$ 259,753	$ 58,575	$ 19,997	$ 140,714	$ 508,596
Total debt	27,793	12,866	10,627	8,637	18,062	77,985
Net assets	1,160	195,293	42,396	8,462	76,977	324,288
Net patient services revenues	–	277,668	125,121	33,254	109,779	545,822
Total revenues, net	5,845	380,983	125,326	35,685	218,627	766,466
Excess of revenues over expenses	477	37,039	34,367	5,854	15,284	93,021

4. Acquisitions and Divestitures

Continuing Operations

The following table is a summary of the business combinations that occurred in fiscal year 2013

	St. Luke's	Highline	UMC	Alegent	Total
Fiscal Year 2013					
Purchase consideration					
Cash	$ 1,000,000	$ –	$ –	$ 553,700	$ 1,553,700
Note payable	260,000	–	–	–	260,000
Contingent consideration	–	–	217,709	–	217,709
Equity interest in Alegent	–	–	–	33,934	33,934
Gain on business combination	–	55,436	–	20,989	76,425
	$ 1,260,000	$ 55,436	$ 217,709	$ 608,623	$ 2,141,768

	St. Luke's	Highline	UMC	Alegent	Total
Fiscal Year 2013					
Purchase price allocation					
Cash and investments	$ 1,153,253	$ 57,133	$ 94,061	$ 496,309	$ 1,800,756
Patient and other accounts receivable	180,106	27,268	65,723	118,833	391,930
Other current assets	37,413	5,081	29,601	34,884	106,979
Property and equipment	1,046,341	137,148	176,004	474,996	1,834,489
Intangible assets	41,124	1,494	–	982	43,600
Goodwill	–	–	53,178	92,964	146,142
Other assets	25,600	17,745	9,367	63,798	116,510
Current liabilities	(175,081)	(34,087)	(76,202)	(206,630)	(492,000)
Pension liability	(3,559)	(12,307)	–	(48,216)	(64,082)
Other liabilities	(153,436)	(5,355)	(11,202)	(81,344)	(251,337)
Notes payable to CHI	–	–	–	(337,953)	(337,953)
Debt	(891,761)	(138,684)	(122,821)	–	(1,153,266)
	$ 1,260,000	$ 55,436	$ 217,709	$ 608,623	$ 2,141,768

4. Acquisitions and Divestitures (continued)

St. Luke's Health System – Effective June 1, 2013, CHI acquired the operations of St Luke's Health System (St Luke's), a six-hospital system based in Houston, Texas, from Episcopal Health Foundation for cash and a note payable For the month of June 2013, the operations of St Luke's contributed $95 2 million in operating revenues and $12 8 million of deficit of revenues over expenses to the CHI consolidated results of operations

Highline Medical Center – Effective April 1, 2013, Highline Medical Center (Highline) was acquired by CHI for no consideration, resulting in the recognition of a $55 4 million gain calculated as the fair value of assets acquired and liabilities assumed determined based upon observable (Level 2) inputs Highline is a 154-bed acute care hospital based in Burien, Washington Including the contribution gain, Highline reported $103 7 million in operating revenues and $52 8 million in excess of revenues over expenses to the CHI consolidated results of operations for the period April 1 through June 30, 2013

University Medical Center and University of Louisville Hospital – Effective March 1, 2013, KentuckyOne Health, University Medical Center (UMC) and the University of Louisville entered into a partnership, structured as a joint operating agreement between University Medical Center and KentuckyOne Health, whereby KentuckyOne Health controls substantially all of UMC's operations, which consist of the University of Louisville Hospital and the James Graham Brown Cancer Center (ULH) As part of the agreement, KentuckyOne Health has committed to provide financial support to the University of Louisville over the next 20 years, which as of the acquisition date had a fair value of $217 7 million based upon discounted cash flows and probability-weighted performance assumptions (Level 3 inputs) The value of such contingent consideration will be remeasured at fair value on an annual basis For the period from March 1 through June 30, 2013, the operations of ULH contributed $166 3 million of operating revenues and $11 8 million of excess of revenues over expenses to the CHI consolidated results of operations, prior to the effects of the JOA revenue-sharing arrangement

Alegent Creighton Health and Affiliates – Effective November 1, 2012, CHI became the sole corporate sponsor of Alegent based in Omaha Nebraska In addition to the operations of Bergan Mercy Health System and Affiliates (Bergan Mercy) previously owned and consolidated by CHI, CHI now consolidates the Alegent operations, which include the operations of Immanuel and the operations of Creighton University Medical Center For the period from November 1, 2012 through June 30, 2013, incremental Alegent (excluding the Bergan Mercy component) contributed $611 1 million in operating revenues and $18 1 million of excess of revenues over expenses to the CHI consolidated results of operations

4. Acquisitions and Divestitures (continued)

Soundpath Health – Effective on March 1, 2013, CHI acquired a 55 6% majority interest in Soundpath Health, Inc , (Soundpath), a provider-owned health care plan based in Federal Way, Washington, that offers Medicare Advantage plans CHI paid $12 1 million for shares of common stock and an additional $12 1 million for preferred shares in Soundpath Of the total purchase price, $16 3 million was allocated to goodwill

The following table is a summary of the business combinations that occurred in fiscal year 2012

	JHSMH	Nebraska Heart	Total
Fiscal Year 2012			
Purchase consideration			
Cash	$ –	$ 131,127	$ 131,127
Equity interest in JHSMH	19,659	–	19,659
Gain on business combination	57,293	–	57,293
Fair market value of noncontrolling interests	181,551	–	181,551
	$ 258,503	$ 131,127	$ 389,630
Purchase price allocation			
Cash and investments	$ 275,764	$ 146	$ 275,910
Patient and other accounts receivable	123,040	9,815	132,855
Other current assets	33,011	3,079	36,090
Property and equipment	451,662	45,150	496,812
Intangible assets	–	10,123	10,123
Goodwill	–	69,786	69,786
Other assets	17,330	–	17,330
Current liabilities	(143,277)	(6,417)	(149,694)
Other liabilities	(87,459)	(555)	(88,014)
Debt	(411,568)	–	(411,568)
Net consideration/assets acquired	$ 258,503	$ 131,127	$ 389,630

4. Acquisitions and Divestitures (continued)

KentuckyOne Health – Effective on January 1, 2012, CHI acquired an additional 58% interest in JHSMH from Jewish Hospital HealthCare Services, Inc (JHHS) in exchange for a noncontrolling interest in KentuckyOne Health, a new statewide health care network in the state of Kentucky, through the combination of JHSMH and St Joseph Health System, a CHI-sponsored MBO CHI has a controlling interest of approximately 83% in KentuckyOne Health and JHHS has the remaining 17% interest The fair value of the noncontrolling interest upon acquisition of $181 6 million was determined using valuation techniques including discounted cash flows For the period from January 1 to June 30, 2012, JHSMH contributed $477 1 million of operating revenues and $62 2 million of deficit of revenues over expenses to the CHI consolidated results of operations

Nebraska Heart Hospital and Nebraska Heart Institute – Effective on August 1, 2011, CHI acquired Nebraska Heart Hospital and Nebraska Heart Institute (Nebraska Heart) for a gross purchase price of $131 1 million in cash consideration The acquisition allowed CHI to expand cardiac, thoracic and vascular care across the state of Nebraska

On an unaudited pro forma basis, had CHI owned or been party to agreements with St Luke's, Highline, University Medical Center and Alegent at the beginning of fiscal year 2013, these entities would have contributed $2 8 billion of operating revenues and $62 6 million of operating income before restructuring Had CHI owned or been party to agreements with St Luke's, Highline, University Medical Center, Alegent, JHSMH, and Nebraska Heart at the beginning of fiscal year 2012, these entities would have contributed $3 7 billion in operating revenues and $56 5 million operating income before restructuring However, unaudited pro forma information is not necessarily indicative of the historical results that would have been obtained had the transaction actually occurred on those dates, nor of future results

Discontinued Operations

In 2012, CHI committed to a plan to sell the MBOs in Denville, New Jersey, Towson, Maryland, and Pierre, South Dakota The Towson MBO was sold to the University of Maryland Medical System effective on December 1, 2012, for preliminary sales proceeds of $154 0 million Contingent sales proceeds of $45 7 million have been placed in escrow pending final disposition of certain open items A final determination is expected by December 31, 2013 The Pierre MBO was sold to Avera Health effective January 1, 2013, for net sales proceeds of $50 0 million and a loss on disposition of $27 7 million In May 2013, CHI agreed to sell the Denville MBO to Prime

4. Acquisitions and Divestitures (continued)

Healthcare Services for $100 0 million The transaction is subject to governmental and Church approvals and is expected to close towards the middle of fiscal year 2014 In accordance with Accounting Standards Codification (ASC) 205-20, *Discontinued Operations,* and ASC 360-10, *Impairment or Disposal of Long-Lived Assets,* the results of operations associated with these MBOs have been reported as discontinued operations and are included in the consolidated statements of changes in net assets Assets held for sale consist primarily of net patient accounts receivable, net property and other long-term assets Liabilities held for sale consist primarily of accrued compensation and benefits, accounts payable and deferred revenues

Related to discontinued operations, CHI recorded a deficiency of revenues over expenses of $108 6 million and $45 1 million for the years ended June 30, 2013 and 2012, respectively, which is reported as discontinued operations in the accompanying consolidated statements of changes in net assets Included in fiscal year 2013 is an impairment loss of $64 8 million related to adjusting the carrying value of property, plant and equipment at the Denville MBO to its net realizable value Total operating revenues and deficiency of revenues over expenses included in the results of discontinued operations for the years ended June 30 are summarized below (in thousands)

	2013	2012
Total operating revenues	**$ 464,809**	$ 687,971
Total operating expenses	**(485,949)**	(721,930)
Restructuring and other losses	**(95,924)**	(10,987)
Nonoperating gains (losses)	**8,470**	(149)
Deficiency of revenues over expenses	**$ (108,594)**	$ (45,095)

The consolidated statements of cash flows include the use of $24 9 million and $45 4 million of operating, investing and financing activities related to discontinued operations for the years ended June 30, 2013 and 2012, respectively

5. Net Patient Services Revenues

Net patient services revenues are derived from services provided to patients who are either directly responsible for payment or are covered by various insurance or managed care programs CHI receives payments from the federal government on behalf of patients covered by the

5. Net Patient Services Revenues (continued)

Medicare program, from state governments for Medicaid and other state-sponsored programs, from certain private insurance companies and managed care programs and from patients themselves A summary of payment arrangements with major third-party payors follows

Medicare – Inpatient acute care and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure These rates vary according to patient classification systems based on clinical, diagnostic and other factors Certain CHI facilities have been designated as critical access hospitals and, accordingly, are reimbursed their cost of providing services to Medicare beneficiaries Professional services rendered by physicians are paid based on the Medicare allowable fee schedule

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are primarily paid under the traditional Medicaid plan at prospectively determined rates per discharge Certain outpatient services are reimbursed based on a cost reimbursement methodology, fee schedules or discounts from established charges

Other – CHI has also entered into payment agreements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to CHI under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates

CHI's Medicare, Medicaid and other payor utilization percentages, based upon net patient services revenues, are summarized as follows

	2013	2012
Medicare	**32%**	31%
Medicaid	**8**	7
Managed care	**40**	39
Self-pay	**8**	8
Commercial and other	**12**	15
	100%	100%

5. Net Patient Services Revenues (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Estimated settlements related to Medicare and Medicaid of $103 0 million and $57 0 million at June 30, 2013 and 2012, respectively, are included in third-party liabilities Net patient services revenues from continuing operations increased by $38 0 million in 2013 and $20 5 million in 2012 due to favorable changes in estimates related to prior-year settlements Also during 2012, CHI prevailed on the appeal of two cost report settlements from the Centers for Medicare and Medicaid Services (CMS) related to the calculation used by CMS for the rural floor wage index and for the disallowance of insurance premiums paid to FIIL The settlement amounts are included in the 2012 net patient services revenues from continuing operations, and totaled $76 7 million for the rural floor wage index and $19 8 million for the insurance premiums The appeals spanned years from 1997 through 2011

6. Investments and Assets Limited as to Use

CHI's investments and assets limited as to use as of June 30 are reported in the accompanying consolidated balance sheets as presented in the following table (in thousands)

	2013	2012
Cash and equivalents	**$ 244,077**	$ 153,459
CHI Investment Program	**4,911,135**	4,821,534
Marketable equity securities	**858,537**	315,064
Marketable fixed-income securities	**773,069**	477,440
Hedge funds and other investments	**323,885**	162,191
	7,110,703	5,929,688
Less current portion	**(11,697)**	(1,901)
	$ 7,099,006	$ 5,927,787

Net unrealized gains at June 30, 2013 and 2012, were $297 3 million and $144 0 million, respectively

6. Investments and Assets Limited as to Use (continued)

CHI attempts to reduce its market risk by diversifying its investment portfolio using cash equivalents, fixed-income securities, marketable equity securities and alternative investments Most of the U S Treasury, money market funds and corporate debt obligations as well as exchange-traded marketable securities held by CHI and the CHI Investment Program (the Program) have an actively traded market However, CHI also invests in commercial paper, mortgage-backed or other asset-backed securities, alternative investments (such as hedge funds, private equity investments, real estate funds, funds of funds, etc), collateralized debt obligations, municipal securities and other investments that have potential complexities in valuation based upon the current conditions in the credit markets For some of these instruments, evidence supporting the determination of fair value may not come from trading in active primary or secondary markets Because these investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had an active market for such investments existed Such differences could be material However, management reviews the CHI investment portfolio on a regular basis and seeks guidance from its professional portfolio managers related to U S and global market conditions to determine the fair value of its investments CHI believes the carrying amount of these financial instruments in the consolidated financial statements is a reasonable estimate of fair value Additionally, CHI assesses the risk of impairment related to securities held in its investment portfolio on a regular basis and noted no impairment during the years ended June 30, 2013 and 2012

Substantially all CHI long-term investments are held in the Program The Program is structured under a Limited Partnership Agreement with CHI as managing general partner and numerous limited partners, most sponsored by CHI The partnership provides a vehicle whereby virtually all entities associated with CHI, as well as certain other unrelated entities, can seek to optimize investment returns while managing investment risk Entities participating in the Program that are not consolidated in the accompanying financial statements have the ability to direct their invested amounts and liquidate and/or withdraw their interest without penalty as soon as practicable based on market conditions but within 180 days of notification The Limited Partnership Agreement permits a majority vote of the noncontrolling limited partners to terminate the partnership Accordingly, CHI recognizes only the portion of Program assets attributable to CHI and its sponsored affiliates Program assets attributable to CHI and its Direct Affiliates represented 90% and 86% of total Program assets at June 30, 2013 and 2012

6. Investments and Assets Limited as to Use (continued)

The Program asset allocation at June 30 is as follows

	2013	2012
Marketable equity securities	**43%**	44%
Marketable fixed-income securities	**32**	35
Alternative investments	**24**	19
Cash and equivalents	**1**	2
	100%	100%

The CHI Investment Committee (the Investment Committee) of the Board of Stewardship Trustees is responsible for determining asset allocations among fixed-income, equity, and alternative investments At least annually, the Investment Committee reviews targeted allocations and, if necessary, makes adjustments to targeted asset allocations Given the diversity of the underlying securities in which the Program invests, management does not believe there is a significant concentration of credit risk Investment income is comprised of the following for the years ended June 30 (in thousands)

	2013	2012
Dividend and interest income	**$ 142,054**	$ 123,310
Net realized gains	**262,067**	86,517
Net unrealized gains (losses)	**151,232**	(152,888)
Total investment income from continuing operations	**$ 555,353**	$ 56,939
Included in other nonpatient revenue	**$ 66,529**	$ 37,169
Included in nonoperating gains	**488,824**	19,770
Total investment income from continuing operations	**555,353**	56,939
Total investment income (loss) from discontinued operations	**8,470**	(149)
Total investment income	**$ 563,823**	$ 56,790

Direct expenses of the Program are less than 0 4% of total assets Fees paid to the alternative investment managers are not included in the total expense calculation as they are not a direct expense of the Program

7. Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement)

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

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial asset or liability

Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement

Certain of CHI's alternative investments are made through limited liability companies (LLC) and limited liability partnerships (LLP) These LLCs and LLPs provide CHI with a proportionate share of the investment gains (losses) CHI accounts for its ownership in the LLCs and LLPs under the equity method CHI also accounts for its ownership in the Partnership under the equity method As such, these investments are excluded from the scope of ASC 820

7. Fair Value of Assets and Liabilities (continued)

Financial assets and liabilities measured at fair value on a recurring basis were determined using the market approach based upon the following inputs at June 30 (in thousands)

	2013 Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Assets				
Assets limited as to use				
Cash and short-term investments	$ 244,077	$ 197,385	$ 46,692	$ –
Marketable equity securities	858,537	858,537	–	–
Marketable fixed-income securities	773,069	123,996	649,073	–
Other investments	11,718	–	–	11,718
Deferred compensation assets				
Cash and short-term investments	12,035	12,035	–	–
	$ 1,899,436	$ 1,191,953	$ 695,765	$ 11,718
Liabilities				
Interest rate swaps	$ 271,634	$ –	$ 271,634	$ –
Deferred compensation liability	12,035	12,035	–	–
	$ 283,669	$ 12,035	$ 271,634	$ –

7. Fair Value of Assets and Liabilities (continued)

	2012 Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Assets				
Assets limited as to use				
Cash and short-term investments	$ 153,459	$ 106,489	$ 46,970	$ –
Marketable equity securities	315,064	315,064	–	–
Marketable fixed-income securities	477,440	900	476,540	–
Other investments	1,953	–	–	1,953
Deferred compensation assets				
Cash and short-term investments	10,852	10,852	–	–
	$ 958,768	$ 433,305	$ 523,510	$ 1,953
Liabilities				
Interest rate swaps	$ 238,549	$ –	$ 238,549	$ –
Deferred compensation liability	10,852	10,852	–	–
	$ 249,401	$ 10,852	$ 238,549	$ –

The fair values of the instruments included in Level 1 were determined through quoted market prices Level 1 instruments include money market funds, mutual funds and marketable debt and equity securities The fair values of Level 2 instruments were determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and referenced credit spreads, estimated prepayment rates, where applicable, are used for valuation purposes and are provided by third-party services where quoted market values are not available Level 2 instruments include corporate fixed-income securities, government bonds, mortgage and asset-backed securities, and interest rate swaps The fair values of Level 3

7. Fair Value of Assets and Liabilities (continued)

securities are determined primarily through information obtained from the relevant counterparties for such investments Information on which these securities' fair values are based is generally not readily available in the market

8. Property and Equipment

A summary of property and equipment is as follows as of June 30 (in thousands)

	2013	2012
Land and improvements	**$ 596,548**	$ 392,427
Buildings and improvements	**6,399,345**	5,098,617
Equipment	**4,612,302**	3,814,431
	11,608,195	9,305,475
Less accumulated depreciation	**(5,009,102)**	(4,594,250)
	6,599,093	4,711,225
Construction in progress	**1,187,147**	635,310
	$ 7,786,240	$ 5,346,535

CHI evaluates whether events and circumstances have occurred that indicate the remaining useful life of property, equipment and certain other intangible assets may not be recoverable Management determined there were impairment issues in both 2013 and 2012, to the extent that the undiscounted cash flows estimated to be generated by certain assets were less than the underlying carrying value CHI recorded $4 9 million and $16 0 million in impairment losses in continuing operations for 2013 and 2012, respectively, resulting from charges related to estimated fair value deficiencies (based upon projected discounted cash flows) at various MBOs

9. Debt Obligations

The following is a summary of debt obligations as of June 30 (in thousands)

	Interest Rates at June 30, 2013	2013	2012
CHI debt issued under the COD			
Variable-rate Bonds			
Series 1997B, maturing through 2022	0 14%	**$ 9,200**	$ 18,900
Series 2000B, maturing 2027	0 07	**24,000**	27,300
Series 2002B, maturing 2032	0 07	**97,800**	103,300
Series 2004B, maturing through 2044	0 04–0 07	**180,700**	180,700
Series 2004C, maturing through 2044	0 05–0 07	**163,300**	163,300
Series 2008A, maturing 2036	0 14	**120,260**	120,260
Series 2008C, maturing 2041	0 06	**50,000**	50,000
Series 2011B, maturing 2046	0 06	**158,155**	158,155
Series 2011C, maturing 2046	0 13	**123,000**	125,000
Fixed-rate Bonds			
Series 2002A, maturing 2017	5 50	**3,400**	4,140
Series 2004A, maturing through 2034	4 75–5 00	**146,605**	146,605
Series 2006A, maturing 2041	4 00–5 00	**270,635**	384,135
Series 2006C, maturing through 2041	3 85–5 10	**250,000**	250,000
Series 2008C, maturing through 2041	4 00–5 00	**105,000**	105,000
Series 2008D, maturing through 2038	5 00–6 38	**471,450**	473,950
Series 2009A, maturing 2039	3 50–5 50	**748,760**	772,110
Series 2009B, maturing through 2039	4 00–5 00	**252,360**	260,995
Series 2011A, maturing 2041	3 00–5 25	**506,090**	526,090
Series 2012A, maturing 2035	3 00–5 00	**271,260**	271,260
Series 2012 Taxable, maturing 2042	1 60–4 35	**1,500,000**	–
Commercial Paper		**442,475**	475,625
Unamortized debt premium		**59,538**	58,832
Unamortized debt discount		**(11,192)**	(9,801)
Total CHI debt issued under the COD		**5,942,796**	4,665,856
St. Luke's debt issued under Master Trust Indenture			
Variable-rate Bonds			
Series 2012, maturing 2021	0 92%	**150,220**	–
Series 2008, maturing 2041	0 10	**100,000**	–
Series 2005, maturing 2032	0 08	**132,600**	–
Fixed-Rate Series 2009, maturing 2025	3 75–5 625	**150,798**	–
Unsecured Bank Notes			
Maturing through 2014	0 67	**7,200**	–
Maturing through 2017	1 78	**92,598**	–
Total St Luke's debt issued under Master Trust Indenture		**633,416**	–
Note payable issued to Episcopal Foundation		**260,000**	–
Capital leases and other debt		**569,845**	77,391
		7,406,057	4,743,247
Less Amounts classified as current			
Variable-rate debt with self-liquidity		**(321,455)**	(321,455)
Commercial paper and current portion of debt		**(749,617)**	(643,083)
Long-term debt		**$ 6,334,985**	$ 3,778,709

9. Debt Obligations (continued)

The fair value of debt obligations was approximately $7 3 billion at June 30, 2013 Management has determined the carrying values of the variable-rate bonds are representative of fair values as of June 30, 2013, as the interest rates are set by the market participants The fair value of the fixed-rate tax-exempt bond obligations as of June 30, 2013, is determined by applying credit spreads for similar tax-exempt obligations in the marketplace, which are then used to calculate a price/yield for the outstanding obligations

A summary of scheduled principal payments, based upon stated maturities, on long-term debt for the next five-years is as follows (in thousands)

	Amounts Due
Year Ending June 30	
2014	$ 749,617
2015	244,184
2016	249,028
2017	216,493
2018	391,050

CHI issues the majority of its debt under the COD and is the sole obligor Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of its Direct and Designated Affiliates Covenants include a minimum CHI debt service coverage ratio and certain limitations on secured debt The Direct Affiliates of CHI, defined as Participants under the COD, have agreed to certain covenants related to corporate existence, maintenance of insurance and exempt use of bond-financed facilities

In October 2012, CHI issued $1 5 billion of par value long-term, fixed-rate, taxable bonds Proceeds were used to finance a wide array of strategic initiatives, including affiliations in key areas

In November 2011, CHI issued $809 2 million of fixed-rate, variable-rate and Windows variable-rate bonds (Windows) in the states of Colorado, Kentucky and Washington Proceeds were used to refund $223 5 million of existing debt and to redeem $116 8 million of commercial paper outstanding Concurrent with the issuance of these bonds, CHI converted $50 0 million of Ohio Series 2008C-2 bonds to bear interest at weekly rates Also, during November 2011, CHI redeemed $55 8 million of existing debt These redemptions resulted in a loss on extinguishment of $0 7 million

9. Debt Obligations (continued)

Total debt at June 30, 2013, includes $894 9 million of debt related to the acquisition of St Luke's, including $533 6 million of St Luke's series revenue bonds St Luke's is a member of the St Luke's Health System Obligated Group, and together with various of its consolidated subsidiaries, are the obligors under each of the St Luke's bond issues Obligated Group members are jointly and severally obligated to pay the notes issued under the master trust indenture Notes issued under the master trust indenture are equally and ratably secured by a pledge of the accounts receivable of St Luke's Medical Center and St Luke's Woodlands Hospital Payments to bondholders are funded by St Luke's under the St Luke's master trust indenture with the trustee of the respective bond issues Under the related indentures and agreements, St Luke's is required to satisfy and abide by certain measures of financial and operating performance

As part of the December 2012 divestiture of CHI's facilities in Towson, Maryland, $113 5 million of Series 2006A bonds were legally defeased, resulting in a loss on defeasance of $18 0 million

In connection with the acquisition of JHSMH in January 2012, CHI acquired $342 0 million of JHSMH 2008 series bonds and $43 0 million of JHSMH 1996 series bonds In January 2012, the 1996 bonds were legally defeased, which resulted in a loss on defeasance of $0 5 million In April 2012, CHI issued $271 3 million of par value bonds in the state of Kentucky Debt proceeds of $299 7 million and cash of $114 3 million were used to refund $322 9 million and legally defease $88 4 million of the 2008 bonds The transaction resulted in a loss on extinguishment of $69 4 million

CHI has two types of external liquidity facilities those that are dedicated to specific series of variable-rate demand bonds (VRDB) and those that are not dedicated to a particular series of VRDBs but may be used to support CHI's obligations to fund tenders of VRDBs and pay the maturing principal of commercial paper Liquidity facilities that are dedicated to specific series of bonds were $605 0 million and $625 5 million at June 30, 2013 and 2012, respectively, of which $7 9 million and $9 4 million, respectively, are classified as current debt The remaining $597 1 million and $616 1 million at June 30, 2013 and 2012, respectively, are reported as long-term debt due to the repayment terms on any associated drawings extending beyond the subsequent fiscal year under the terms of the specific agreements

9. Debt Obligations (continued)

Liquidity facilities not dedicated for specific series of VRDBs but used to support CHI's obligations to fund tenders and to pay maturing principal of commercial paper were $390 0 million and $435 0 million at June 30, 2013 and 2012, respectively At June 30, 2013 and 2012, respectively, $442 5 million and $475 6 million of commercial paper were classified as current due to maturities of less than one year, and $321 5 million of VRDBs and Windows were also classified as current due to the holder's ability to put such VRDBs and Windows back to CHI without liquidity facilities dedicated to these bonds

At June 30, 2013, CHI had a $45 0 million credit facility with Wells Fargo Bank Letters of credit totaling $41 7 million have been issued for the benefit of third parties, principally in support of the self-insurance programs administered by FIIL At June 30, 2013 and 2012, no amounts were outstanding under this credit facility

CHI is a party to 13 floating-to-fixed interest rate swap agreements with notional amounts totaling $1 6 billion and $931 8 million at June 30, 2013 and 2012, respectively Generally, it is CHI policy that all counterparties have an AA rating or better The swap agreements require CHI to provide collateral if CHI's liability, determined on a mark-to-market basis, exceeds a specified threshold that varies based upon the rating on the corporation's long-term indebtedness These fixed-payor swap agreements convert CHI's variable-rate debt to fixed-rate debt The swaps have varying maturity dates ranging from December 2014 to February 2047 The fair value of the swaps is estimated based on the present value sum of anticipated future net cash settlements until the swaps' maturities At June 30, 2013 and 2012, the fair value was $271 6 million and $238 5 million, respectively Cash collateral balances of $107 5 million and $140 7 million at June 30, 2013 and 2012, respectively, are netted against the fair value of the swaps, and the net amount is reflected in other liabilities The change in the fair value of these agreements was a net gain of $98 9 million in 2013 and a net loss of $121 9 million in 2012

10. Retirement Plans

CHI and its direct affiliates maintain noncontributory, defined benefit retirement plans (Plans) covering substantially all employees Benefits in the Plans are based on compensation, retirement age and years of service Vesting occurs over a five-year period Substantially all of the Plans are qualified as church plans and are exempt from certain provisions of both the Employee Retirement Income Security Act and Pension Benefit Guaranty Corporation premiums and coverage Funding requirements are determined through consultation with independent actuaries

10. Retirement Plans (continued)

CHI recognizes the funded status (that is, the difference between the fair value of plan assets and the projected benefit obligations) of its Plans in the consolidated balance sheets, with a corresponding adjustment to net assets Actuarial gains and losses that arise and are not recognized as net periodic pension cost in the same periods are recognized as a component of changes in net assets

In connection with the acquisition of Alegent in November 2012 and St Luke's in June 2013, CHI acquired the pension plan assets and liabilities of each entity, herein referred to as the Alegent plan and St Luke's plan, respectively In connection with the acquisition of JHSMH in January 2012, CHI acquired the pension plan assets and liabilities of JHSMH, herein referred to as the JHSMH plan

10. Retirement Plans (continued)

A summary of the changes in the benefit obligation, fair value of plan assets and funded status of the Plans at the June 30 measurement dates is as follows (in thousands)

	2013	2012
Change in benefit obligation		
Benefit obligation, beginning of year	**$ 3,601,231**	$ 2,767,988
Service cost	**205,037**	169,477
Interest cost	**151,763**	153,204
Actuarial (gain) loss	**(170,282)**	446,352
JHSMH plan	**–**	183,733
Alegent plan	**120,115**	–
St Luke's plan	**267,074**	–
Settlements	**(17,931)**	(8,495)
Curtailments	**(134,233)**	–
Benefits paid	**(144,838)**	(110,851)
Expenses paid	**(451)**	(177)
Benefit obligation, end of year	**3,877,485**	3,601,231
Change in the Plans' assets		
Fair value of the Plans' assets, beginning of year	**2,708,411**	2,452,465
Actual return on the Plans' assets, net of expenses	**309,522**	45,002
Employer contributions	**203,564**	194,279
JHSMH plan	**–**	136,188
Alegent plan	**83,055**	–
St Luke's plan	**263,218**	–
Settlements	**(17,848)**	(8,495)
Benefits paid	**(144,838)**	(110,851)
Expenses paid	**(451)**	(177)
Fair value of the Plans' assets, end of year	**3,404,633**	2,708,411
Funded status of the Plans	**$ (472,852)**	$ (892,820)
End-of-year values		
Projected benefit obligation	**$ 3,877,485**	$ 3,601,231
Accumulated benefit obligation	**3,844,708**	3,428,819

10. Retirement Plans (continued)

As a result of market divestitures and other employee transitions in fiscal year 2013, one of the Plans was required to recognize a curtailment event, which is reflected in the June 30, 2013 benefit obligation Additionally, a curtailment related to the expected future services reductions has occurred as a result of plan design changes for certain Plans, which will be effective in January 2014

Included in net assets at June 30, 2013, are the following amounts that have not yet been recognized in net periodic pension cost unrecognized prior service cost of $0 4 million and unrecognized actuarial losses of $724 2 million The prior service cost and actuarial losses included in net assets and expected to be recognized in net periodic pension cost during the fiscal year ending June 30, 2014, are $0 1 million and $32 8 million, respectively

The components of net periodic pension expense are as follows (in thousands)

	2013	2012
Components of net periodic pension expense		
Service cost	**$ 205,037**	$ 169,477
Interest cost	**151,763**	153,204
Expected return on the Plans' assets	**(220,236)**	(198,093)
Actuarial losses	**91,606**	39,029
Amortization of prior service benefit	**174**	187
Curtailments	**367**	–
Settlements	**45**	–
	$ 228,756	$ 163,804
Weighted-average assumptions		
Discount rate, beginning of year	**4.06%**	5 39%
Discount rate, end of year	**4.58**	4 06
Expected return on Plans' assets	**7.75**	7 75
Rate of compensation increase	**3.75**	3 75

The assumption for the expected return on the Plans' assets is based on historical returns and adherence to the asset allocations set forth in the Plans' investment policies The expected return on the Plans' assets for determining pension cost was 7 75% in 2013 and 2012 The increase in the discount rate to 4 58% at June 30, 2013 decreased the pension benefit obligation by approximately $187 2 million

10. Retirement Plans (continued)

A summary of the Plans' asset allocation targets, ranges by asset class and allocations by asset class at the measurement dates of June 30 is as follows

	2013	2012	Target	Range
Fixed-income securities	**25.6%**	29 8%	25 0%	15 0–35 0%
Equity securities	**55.1**	51 2	52 5	42 5–62 5
Alternative investments	**19.3**	19 0	22 5	12 5–32 5

The Plans' assets are invested in a portfolio designed to preserve principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, while minimizing unnecessary investment risk Diversification is achieved by allocating assets to various asset classes and investment styles and by retaining multiple investment managers with complementary philosophies, styles and approaches Although the objective of the Plans is to maintain asset allocations close to target, temporary periods may exist where allocations are outside of the expected range due to market conditions The use of leverage is prohibited except as specifically directed in the alternative investment allocation The portfolio is managed on a basis consistent with the CHI social responsibility guidelines

The Plans' assets measured at fair value on a recurring basis were determined using the following inputs at June 30 (in thousands)

	2013			
	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Cash and short-term investments	**$ 115,586**	**$ 102,360**	**$ 13,226**	**$ –**
Marketable equity securities	**1,715,087**	**1,715,087**	**–**	**–**
Marketable fixed-income securities	**916,766**	**220,833**	**695,933**	**–**
Alternative investments	**657,194**	**–**	**–**	**657,194**
	$ 3,404,633	**$ 2,038,280**	**$ 709,159**	**$ 657,194**

10. Retirement Plans (continued)

	2012			
	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)
	Fair Value as of June 30	Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Cash and short-term investments	$ 128,098	$ 117,585	$ 10,513	$ –
Marketable equity securities	1,318,456	1,318,456	–	–
Marketable fixed-income securities	756,137	230,647	525,490	–
Alternative investments	505,720	–	–	505,720
	$ 2,708,411	$ 1,666,688	$ 536,003	$ 505,720

A summary of the changes in the fair value of the Plans' investments for which Level 3 inputs were used at the June 30 measurement dates is as follows (in thousands)

	2013	2012
Beginning investments at fair value	**$ 505,720**	$ 494,683
Purchases of investments	**91,868**	24,306
Proceeds from sale of investments	**(47,376)**	(32,860)
Net change in unrealized appreciation on investments and effect of foreign currency translation	**12,778**	2,426
Net realized gains on investments	**25,424**	17,346
St Luke's plan investments acquired	**53,540**	–
Net transfers into (out) of Level 3	**15,240**	(181)
Ending investments at fair value	**$ 657,194**	$ 505,720

10. Retirement Plans (continued)

CHI expects to contribute $111 4 million to the Plans in fiscal year 2014 A summary of expected benefits to be paid to the Plans' participants and beneficiaries is as follows (in thousands)

	Estimated Payments
Year Ending June 30	
2014	$ 210,586
2015	203,028
2016	224,238
2017	238,993
2018	250,017
2019–2023	1,396,923

11. Concentrations of Credit Risk

CHI grants credit without collateral to its patients, most of whom are insured under third-party payor agreements CHI's exposure to credit risk on patient accounts receivable is limited by the geographical diversity of its MBOs The mix of receivables from patients and third-party payors at June 30 approximated the following

	2013	2012
Medicare	**28%**	26%
Medicaid	**10**	11
Managed care	**31**	32
Self-pay	**7**	6
Commercial and other	**24**	25
	100%	100%

CHI maintains long-term investments with various financial institutions and investment management firms through its investment program, and its policy is designed to limit exposure to any one institution or investment Management does not believe there are significant concentrations of credit risk at June 30, 2013 and 2012

12. Commitments and Contingencies

Litigation

During the normal course of business, CHI may become involved in litigation Management assesses the probable outcome of unresolved litigation and records estimated settlements After consultation with legal counsel, management believes that any such matters will be resolved without material adverse impact to the consolidated financial position or results of operations of CHI

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Management believes CHI is in compliance with all applicable laws and regulations of the Medicare and Medicaid programs Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs Certain CHI entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CHI's consolidated financial position

12. Commitments and Contingencies (continued)

Operating Leases

CHI leases certain real estate and equipment under operating leases, which may include renewal options and escalation clauses Future minimum lease payments required for the next five years and thereafter for all operating leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2013, are as follows (in thousands)

	Amounts Due
Year Ending June 30	
2014	$ 154,915
2015	132,169
2016	113,672
2017	96,849
2018	82,143
Thereafter	381,561
	$ 961,309

Lease expense under operating leases for continuing operations for the years ended June 30, 2013 and 2012, totaled approximately $223 0 million and $176 0 million, respectively

13. Insurance Programs

FIIL, a wholly owned captive insurance company of CHI, provides hospital professional liability, employment practices liability, miscellaneous professional liability, and commercial general liability coverage, primarily to MBOs related to CHI either on a directly written basis or through reinsurance fronting relationships with commercial carriers such as PPIC Policies written provide coverage with primary limits in the amounts of $10 0 million and $8 0 million for each and every claim in fiscal years 2013 and 2012, respectively For the policy year July 1, 2012 to June 30, 2013, there is an annual policy aggregate of $85 0 million eroded by hospital professional liability and commercial general liability claims, subject to a $175,000 continuing underlying per claim limit Effective July 1, 2011, FIIL provided excess umbrella liability coverage for claims in excess of the underlying limits discussed above The limits provided under such excess coverage are $200 0 million per claim and in the aggregate FIIL reinsured 100% of the excess coverage layer with various commercial insurance companies At June 30, 2013 and 2012, investments and assets limited as to use held for insurance purposes included $55 0 million and $59 0 million, respectively, held as collateral for the reinsurance fronting arrangement with PPIC

13. Insurance Programs (continued)

FIIL provides workers' compensation coverage, either on a directly written basis or through reinsurance fronting relationships with commercial carriers for amounts above $1 0 million per claim Coverage of $500,000 in excess of $500,000 per claim is reinsured with an unrelated commercial carrier FIIL also underwrites the property and casualty risks of CHI for up to $1 0 million per claim Unrelated commercial insurance carriers reinsure losses in excess of the per-claim limits

The liability for self-insured reserves and claims represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30 The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-based valuations, statistical analyses and the expertise of an independent actuary

The estimates for loss reserves are subject to the effects of trends in loss severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate The estimates are reviewed periodically, with consultation from independent actuaries, and any adjustments to the loss reserves are reflected in current operations As a result of these reviews of claims experience, estimated reserves were reduced by $48 5 million and $47 8 million in 2013 and 2012, respectively The reserves for unpaid losses and loss adjustment expenses relating to the workers' compensation program were discounted, assuming a 4 0% annual return at June 30, 2013 and 2012, to a present value of $151 2 million and $147 1 million at June 30, 2013 and 2012, respectively, and represented a discount of $51 3 million and $46 3 million in 2013 and 2012, respectively Reserves related to professional liability, employment practices and general liability are not discounted

FIIL holds $751 9 million and $722 1 million of investments held for insurance purposes as of June 30, 2013 and 2012, respectively Distribution of amounts from FIIL to CHI are subject to the approval of the Cayman Island Monetary Authority CHI established a captive management operation (Captive Management Initiatives, Ltd) based in the Cayman Islands, which currently manages FIIL as well as operations of other unrelated parties

CHI, through its Welfare Benefit Administration and Development Trust, provides comprehensive health and dental coverage to certain employees and dependents through a self-insured medical plan Accounts payable and accrued expenses include $51 0 million and $54 0 million for unpaid claims and claims adjustment expenses for CHI's self-insured medical plan at June 30, 2013 and 2012, respectively Those estimates are subject to the effects of trends in loss severity and

13. Insurance Programs (continued)

frequency Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate The estimates are reviewed periodically and, as adjustments to the liability become necessary, such adjustments are reflected in current operations CHI has stop-loss insurance to cover unusually high costs of care beyond a predetermined annual amount per enrolled participant

14. Subsequent Events

CHI's management has evaluated events subsequent to June 30, 2013 through September 17, 2013, which is the date these consolidated financial statements were available to be issued There have been no material events noted during this period that would either impact the results reflected herein or CHI's results going forward, except as disclosed below

Effective in August 2013, a subsidiary of CHI entered into an affiliation agreement with Harrison Medical Center (Harrison), whereby the subsidiary will control the operations of Harrison Harrison is located in Bremerton, Washington, and operates two acute-care facilities in the area, as well as provides emergency services, and a range of general and specialized services to adjacent areas A valuation of assets and liabilities is in process The fair value of the assets acquired net of liabilities assumed will be reported as other nonpatient revenue in 2014

On July 1, 2013, CHI invested $65 0 million in MedSynergies, Inc (MedSynergies), a national physician management services organization In conjunction with this investment, CHI and MedSynergies have entered into a partnership to create successful physician alignment within CHI, and to enhance patient retention and practice performance within the physician services line of business The initial term of this agreement is 9 years

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Stewardship Trustees
Kevin E Lofton, President, Chief Executive Officer
Dean Swindle, President Enterprise Business Line and
Chief Financial Officer

Catholic Health Initiatives

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Health Initiatives, which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Catholic Health Initiatives' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Health Initiatives' internal control Accordingly, we do not express an opinion on the effectiveness of Catholic Health Initiatives' internal control

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Health Initiatives' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the entity's internal control or on compliance This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance Accordingly, this communication is not suitable for any other purpose

Ernst + Young LLP

September 17, 2013

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Report of Independent Auditors on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Stewardship Trustees
Kevin E Lofton, President, Chief Executive Officer
Dean Swindle, President Enterprise Business Line and
Chief Financial Officer

Catholic Health Initiatives

Report on Compliance for Each Major Federal Program

We have audited Catholic Health Initiatives' compliance with the types of compliance requirements described in the U S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Catholic Health Initiatives' major federal programs for the year ended June 30, 2013 Catholic Health Initiatives' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Catholic Health Initiatives' consolidated financial statements include operations of Appletree Court, which reported loan advances and federal expenditures in the amount of $1,386,700 and $22,007, respectively, which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2013 Our audit, described below, did not include the operations of Appletree Court because Appletree Court engaged other auditors to perform an audit in accordance with OMB Circular A-133

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on each of Catholic Health Initiatives' major federal programs based on our audit of the types of compliance requirements referred to above We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Those standards and OMB

Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred An audit includes examining, on a test basis, evidence about Catholic Health Initiatives' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program However, our audit does not provide a legal determination of Catholic Health Initiatives' compliance

Basis for Qualified Opinions on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of Catholic Health Initiatives with CFDA 10 557 Special Supplemental Nutrition Programs for Women, Infants, and Children as described in Finding 2013-002 – Eligibility, nor were we able to satisfy ourselves as to Catholic Health Initiatives' compliance with those requirements by other auditing procedures

As described in the accompanying schedule of findings and questioned costs, Catholic Health Initiatives did not comply with requirements regarding the following

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2013-004	10 855	Distance Learning and Telemedicine Loans and Grants	Equipment and Real Property Management
2013-006			Procurement and Suspension and Debarment
2013-003			
2013-008			Reporting
2013-001			
2013-004	93 887	Health Care and Other Facilities	Equipment and Real Property Management
2013-004	93 889	National Bioterrorism Hospital Preparedness Program	Equipment and Real Property Management
2013-05	93 958	Block Grants for Community Mental Health Services	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for Catholic Health Initiatives to comply with requirements applicable to that program

Qualified Opinion on Special Supplemental Nutrition Programs for Women, Infants, and Children

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, Catholic Health Initiatives complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Supplemental Nutrition Programs for Women, Infants, and Children for the year ended June 30, 2013

Qualified Opinions on Distance Learning and Telemedicine Loans and Grants, Health Care and Other Facilities, Block Grants for Community Mental Health Services, and National Bioterrorism Hospital Preparedness Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Catholic Health Initiatives complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Distance Learning and Telemedicine Loans and Grants, Health Care and Other Facilities, Block Grants for Community Mental Health Services, and the National Bioterrorism Hospital Preparedness Program for the year ended June 30, 2013

Unmodified Opinions on the Student Financial Assistance Cluster, the Research and Development Cluster, the Mortgage Insurance Hospitals Program, the Supportive Housing Program, the Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors, and the Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents Programs

In our opinion, Catholic Health Initiatives complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs that are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs and summarized in the table below Our opinion on each major federal program is not modified with respect to these matters

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2013-001 2013-003 2013-005	93 889	National Bioterrorism Hospital Preparedness Program	Reporting Procurement Allowable Costs/Cost Principles
2013-001 2013-003 2013-007	93 621	Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents	Reporting Procurement Cash Management
2013-003	93 887	Health Care and Other Facilities	Procurement
2013-003	93 958	Block Grants for Community Mental Health Services	Procurement
2013-005	93 846	Research and Development Cluster	Allowable Costs/ Costs Principles
2013-001	various		Reporting

Catholic Health Initiatives' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs Catholic Health Initiatives' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses

Report on Internal Control Over Compliance

Management of Catholic Health Initiatives is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above In planning and performing our audit of compliance, we considered Catholic Health Initiatives' internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance Accordingly, we do not express an opinion on the effectiveness of Catholic Health Initiatives' internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and summarized below to be material weaknesses

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2013-004	10 855	Distance Learning and Telemedicine Loans and Grants	Equipment and Real Property Management
2013-006			Procurement and Suspension and Debarment
2013-008			Reporting
2013-004	93 887	Health Care and Other Facilities	Equipment and Real Property Management
2013-004	93 889	National Bioterrorism Hospital Preparedness Program	Equipment and Real Property Management
2013-005	93 958	Block Grants for Community Mental Health Services	Allowable Costs/Costs Principles

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and summarized in the table below to be significant deficiencies

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2013-001	10 855	Distance Learning and Telemedicine Loans and Grants	Reporting
2013-001	93 889	National Bioterrorism Hospital Preparedness Program	Reporting
2013-001	93 621	Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents	Reporting
2013-005	93 889	National Bioterrorism Hospital Preparedness Program	Allowable Costs/Costs Principles
2013-001	Various	Research and Development	Reporting

Catholic Health Initiatives' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs Catholic Health Initiatives' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 Accordingly, this report is not suitable for any other purpose

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of Catholic Health Initiatives as of and for the year ended June 30, 2013, and have issued our report thereon dated September 17, 2013, which contained an unmodified opinion on those financial statements Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements The accompanying schedule of expenditures of federal awards is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst & Young LLP

March 31, 2014

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Agriculture					
Direct Award					
Distance Learning and Telemedicine Loans and Grants	10 855		$ –	$ 614 047	$ 614 047
Pass-Through From					
King County Washington State					
Special Supplemental Nutrition Program for Women					
Infants and Children	10 557	CHS2443	–	65 966	65 966
North Country Community Health Services					
Special Supplemental Nutrition Program for Women					
Infants and Children	10 557		–	122 271	122 271
Washington State Department of Health					
Special Supplemental Nutrition Program for Women					
Infants and Children	10 557	N19872	–	1 471 231	1 471 231
Total CFDA 10 557			–	1 659 468	1 659 468
Iowa Department of Education					
Child and Adult Care Food Program	10 558	778084	–	40 964	40 964
Pennsylvania Department of Education					
Child and Adult Care Food Program	10 558	300-06-556-0 (ECE)			
		300-06-000-1 (Adult)	–	43 089	43 089
Total CFDA 10 558			–	84 053	84 053
Total U S Department of Agriculture			–	2 357 568	2 357 568
U S Department of Defense					
Department of Defense					
Direct Award					
Military Medical Research and Development	12 420		354 381	–	354 381
Pass-Through From					
American Burn Association					
Military Medical Research and Development	12 420	W81XWH-08-1-0683	5 740	–	5 740
Total CFDA 12 420			360 121	–	360 121
Total U S Department of Defense			360 121	–	360 121
U S Department of Housing and Urban Development					
Direct Award					
Mortgage Insurance Hospitals	14 128		–	116 010 000	116 010 000
Pass-Through From					
City of Des Moines					
Supportive Housing Program	14 235	IA0037B7D021104 IA0037L7D021205	–	504 895	504 895
Total U S Department of Housing and Urban Development			–	116 514 895	116 514 895

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Justice					
Pass-Through From					
Colorado Department of Public Safety					
Division of Criminal Justice					
Violence Against Women Formula Grants	ARRA-16 588	10-VW-5-35 11-VW-17-19 11-VW-17-39 12-VW-5-14	$ –	$ 71 712	$ 71 712
Total U S Department of Justice			–	71 712	71 712
U S Department of Labor					
Pass-Through From					
Iowa Workforce Development					
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	ARRA-17 275	10-W-PF-HC-0-01	–	543 925	543 925
Total U S Department of Labor			–	543 925	543 925
U S Department of Transportation					
Pass-Through From					
Minnesota Department of Public Safety					
Occupant Protection Incentive Grants	20 602	3-13785	–	3 571	3 571
Nebraska Office of Highway Safety					
Occupant Protection Incentive Grants	20 602	405-13-06 405-12-06 403-13-6-5	–	13 032	13 032
Total CFDA 20 602			–	16 603	16 603
Total U S Department of Transportation			–	16 603	16 603
Environmental Protection Agency					
Direct Award					
Surveys Studies Research Investigations					
Demonstrations and Special Purpose Activities					
Relating to the Clean Air Act	66 034		–	22 116	22 116
Total Environmental Protection Agency			–	22 116	22 116
U S Department of Education					
Direct Awards					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84 007		–	69 120	69 120
Federal Work-Study program	ARRA-84 033		–	13 030	13 030
Federal Pell Grant Program	ARRA-84 063		–	1 940 403	1 940 403
Federal Direct Student Loans	84 268		–	8 627 157	8 627 157
Total Student Financial Assistance Cluster			–	10 649 710	10 649 710

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Education (continued)					
Pass-Through From					
Des Moines Public Schools					
Title I Grants to Local Educational Agencies	84 010		$ –	$ 8 554	$ 8 554
Nebraska Department of Education					
Rehabilitation Services Vocational Rehabilitation Grants to States	84 126	33104	–	50 000	50 000
New Jersey Department of Human Services					
Rehabilitation Services Vocational Rehabilitation Grants to States	84 126	70013	–	91 750	91 750
Total CFDA 84 126			–	141 750	141 750
University of Nebraska Medical Center					
Special Education – Grants for Infants and Families	84 181	94-2810-248-IC5-13	–	12 700	12 700
The University of Louisville Research Foundation, Inc					
National Institute on Disability and Rehabilitation Research	84 133	H1433N110007	6 887	–	6 887
Total U S Department of Education			6 887	10 812 714	10 819 601
U S Department of Health and Human Services					
Direct Awards					
Consolidated Health Centers (Community Health Centers Migrant Health Centers Health Care for the Homeless Public Housing Primary Care and School Based Health Centers)	93 224		–	888 959	888 959
Affordable Care Act Nursing Assistant and Home Health Aide Program	93 503		–	178 844	178 844
Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents	93 621		–	412 036	412 036
Health Care and Other Facilities	93 887		–	891 612	891 612
Pass-Through From					
Nebraska Department of Health and Human Services					
Community-Based Abstinence Education	93 010	6H3HRH000171001	–	8 300	8 300
Denver Regional Council of Governments					
Special Programs for the Aging Title III Part Grants for Supportive Services and Senior Centers	93 044	EX11038	–	105 484	105 484
Colorado Division of Insurance					
Special Programs for the Aging Title IV and Title II Discretionary Projects	ARRA-93 048	OE SFA 13SMP000002	–	4 372	4 372
Iowa Department of Public Health					
Public Health Emergency Preparedness	93 069	5883BT02	–	20 666	20 666
North Country Community Health Board					
Public Health Emergency Preparedness	93 069		–	40 026	40 026
North Dakota Department of Health					
Public Health Emergency Preparedness	93 069	11 704	–	1 760	1 760

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
Total CFDA 93 069			–	62 452	62 452
U S Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Goodwill Easter Seals					
Healthy Marriage Promotion and Responsible Fatherhood Grants	93 086	00-824-230-535	$ –	$ 79 298	$ 79 298
Nebraska Department of Health and Human Services					
Emergency Medical Services for Children	93 127		–	108	108
Cincinnati Children's Hospital Medical Center					
Research Related to Deafness and Communication Disorders	93 173	5R01DC010202-02	49 252	–	49 252
Nebraska Department of Health and Human Services					
Affordable Care Act Abstinence Education Program	93 235	10395-Y3	–	40 594	40 594
Iowa Department of Public Health					
State Rural Hospital Flexibility Program	93 241	58812013	–	3 641	3 641
Nebraska Department of Health and Human Services					
State Rural Hospital Flexibility Program	93 241	3H54RH00005D	–	27 000	27 000
Nebraska Office of Rural Health					
State Rural Hospital Flexibility Program	93 241	#15957-Y3 #11460-Y3	–	28 682	28 682
North Memorial Health Care Ambulance					
State Rural Hospital Flexibility Program	93 241	PO30000005305	–	4 785	4 785
University of North Dakota Center for Rural Health					
State Rural Hospital Flexibility Program	93 241	UND10097 UND10098	–	27 426	27 426
Total CFDA 93 241			–	91 534	91 534
Iowa Department of Public Health					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93 243	588 3 SA08	–	29 768	29 768
Iowa Department of Public Health					
Immunization Cooperative Agreements	93 268	5882I402	–	7 966	7 966
American Psychological Association					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283		_	12 976	12 976
Iowa Department of Public Health					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	5883NB01	_	32 183	32 183
New Jersey Department of Health and Senior Services					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	DFHS13CED014	_	45 000	45 000
North Dakota Cancer Coalition					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	4521 HKH3203 03	_	5 300	5 300
University of Iowa					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	W0000383548	–	3 000	3 000
Total CFDA 93 283			–	98 459	98 459

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Iowa Department of Public Health					
Small Rural Hospital Improvement Grant Program	93 301	5883SH72 5882SH02	$ –	$ 23 451	$ 23 451
Kentucky Hospital Research and Education Foundation					
Small Rural Hospital Improvement Grant Program	93 301		–	6 000	6 000
Minnesota Department of Health					
Small Rural Hospital Improvement Grant Program	93 301	H128880397W #36536	–	25 710	25 710
Minnesota Department of Human Services					
Small Rural Hospital Improvement Grant Program	93 301	3000003361	–	8 355	8 355
Nebraska Department of Health and Human Services					
Small Rural Hospital Improvement Grant Program	93 301	6H3HRH0001171001	–	7 317	7 317
University of North Dakota Center for Rural Health					
Small Rural Hospital Improvement Grant Program	93 301	UND100069 UND100071 UND100077 UND100085	–	40 546	40 546
Total CFDA 93 301			–	111 379	111 379
Central Community College					
Nurse Education Practice Quality and Retention Grants	93 359		–	68 750	68 750
Ohio State University					
Cancer Treatment Research	93 395	27469-76	2 028	–	2 028
University of Michigan					
Cancer Treatment Research	93 395	CA32102	23 600	–	23 600
Total CFDA 93 395			25 628	–	25 628
Colorado Department of Public Health and Environment					
Affordable Care Act (ACA) Maternal Infant and Early Childhood Home Visiting Program	93 505	13 FLA 50476	–	120 374	120 374
North Country Community Health Board					
Affordable Care Act (ACA) Maternal Infant and Early Childhood Home Visiting Program	93 505		–	106 216	106 216
Total CFDA 93 505			–	226 590	226 590
National Council on Aging					
Affordable Care Act – Medicare Improvements for Patients and Providers	93 518		–	57 650	57 650
North Country Community Health Board					
PPHF 2012 Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	93 531		–	13 349	13 349
North Country Community Health Services					
Temporary Assistance for Needy Families	93 558		–	38 307	38 307
University of Alabama at Birmingham					
Health Care Innovations Awards	93 610	000432302-002	18 569	–	18 569
North Country Community Health Services					
Medical Assistance Program	93 778		–	73 229	73 229

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Colorado Division of Insurance					
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93 779		$ –	$ 26 577	$ 26 577
Washington Univ ersity					
Blood Diseases and Resources Research	93 839	5U01HL088476-03	9 750	–	9 750
Washington Univ ersity – St Louis, Missouri					
Blood Diseases and Resources Research	93 839	WU-11-298	19 877	–	19 877
Total CFDA 93 839			29 627	–	29 627
Drexel Univ ersity					
Arthritis Musculoskeletal and Skin Diseases Research	93 846	110123 67	15 179	–	15 179
Univ ersity of Medicine and Dentistry of New Jersey					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93 853	34079	5 000	–	5 000
Cincinnati Children's Hospital Medical Center					
Child Health and Human Development Extramural Research	93 865	R01HL097064	26 114	–	26 114
Iowa Department of Public Health					
National Bioterrorism Hospital Preparedness Program	93 889	5883BHP304 5883BHP88 5883BHP62 5883BHP61 5883BHP14 5883BHP63 5883BHP15	–	158 058	158 058
Kansas Department of Health and Environment					
National Bioterrorism Hospital Preparedness Program	93 889		–	119 000	119 000
Oregon Health Authority					
National Bioterrorism Hospital Preparedness Program	93 889	139896	–	5 620	5 620
Pennsylvania Department of Health and Human Services					
National Bioterrorism Hospital Preparedness Program	93 889	4100051125	–	37 026	37 026
Sanford Bemidji Medical Center					
National Bioterrorism Hospital Preparedness Program	93 889	3000007579	–	8 088	8 088
Tennessee Department of Health					
National Bioterrorism Hospital Preparedness Program	93 889	34349-35813	–	85 690	85 690
Washington State Department of Health Washington State Hospital Association					
National Bioterrorism Hospital Preparedness Program	93 889	1U90TP000559-01	–	42 981	42 981
Total CFDA 93 889			–	456 463	456 463
Avera Health					
Rural Health Care Services Outreach Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93 912		–	1 400	1 400
Nebraska Office of Rural Health					
Grants to States for Operation of Offices of Rural Health	93 913	#47730-04 #12286-Y3	–	14 263	14 263

Catholic Health Initiatives

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Iowa Department of Health and Human Services					
Block Grants for Community Mental Health Services	93 958	MDHA11-053 MDHS11-054	$ –	$ 67 443	$ 67 443
New Jersey Department of Human Services					
Block Grants for Community Mental Health Services	93 958	30305	–	405 597	405 597
Total CFDA 93 958			–	473 040	473 040
Minnesota Department of Human Services					
Block Grants for Prevention and Treatment of Substance Abuse	93 959	GRK%29214	–	203 220	203 220
North Country Community Health Services					
Maternal and Child Health Services Block Grant to the States	93 994		–	35 068	35 068
Colorado Cancer Research Program					
Clinical Practice Support	93 Unknown		–	17 742	17 742
Colorado Cardiac Alliance					
Penrose Cardio Center	93 Unknown		–	1 500	1 500
Total U S Department of Health and Human Services			169 369	4 718 313	4 887 682
Corporation for National and Community Service					
Pass-Through From					
Foundation for a Healthy Kentucky					
Social Innovation Fund	94 019	10-W-PF-HC-0-01	–	214 848	214 848
Total Corporation for National and Community Service			–	214 848	214 848
U S Department of Homeland Security					
Direct Award					
Hazard Mitigation Grant	97 039		–	62 240	62 240
Total U S Department of Homeland Security			–	62 240	62 240
Total Expenditures of Federal Awards			**$ 536,377**	**$ 135,334,934**	**$ 135,871,311**

See accompanying notes to schedule of expenditures of federal awards

Catholic Health Initiatives

Notes to Schedule of Expenditures of Federal Awards

June 30, 2013

1. General

The schedule of expenditures of federal awards (SEFA) presents expenditures for all federal programs that were in effect during the year ended June 30, 2013, for Catholic Health Initiatives (CHI), with two exceptions Expenditures reported for CFDA 93 224 – Consolidated Health Centers presents expenditures for the 18-month period of January 1, 2012 through June 30, 2013, as approved by the federal agency Loan advances and federal expenditures in the amount of $1,386,700 and $22,007, respectively, for CFDA 14 157 – Supportive Housing for the Elderly are not presented in the SEFA, as a stand-alone A-133 audit for Appletree Court was performed as required by the U S Department of Housing and Urban Development (HUD)

For purposes of the SEFA, federal awards include all federal assistance entered into directly between CHI and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements The SEFA does not include payments received under Medicare and Medicaid reimbursement programs

2. Basis of Accounting

Expenditures are reported on the accrual basis of accounting in accordance with U S generally accepted accounting principles The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

3. Federal Student Loan Programs

CHI participates in the Federal Direct Student Loans program (CFDA 84 268), which includes the Federal Stafford Loan and the Federal Parent Loans for Undergraduate Students programs New loans disbursed during the fiscal year ended June 30, 2013, totaled $8,627,157 Loans under the Federal Direct Student Loans program are made directly by the federal government to students New loans made in the fiscal year ended June 30, 2013, relating to this program are represented as current year federal expenditures, whereas the outstanding loan balances are not

4. Mortgage Insurance Hospitals

CHI has a HUD-insured deed of trust in relation to a mortgage of Highline Medical Group, which was acquired by CHI during FY 2013 CHI reported $116,010,000 on the SEFA for CFDA 14 128 – Mortgage Insurance Hospitals, which represents the outstanding balance of the loan as of June 30, 2012 and 2013 The HUD loans were subsequently defeased as of September 2013

5. Subrecipients

Of the federal expenditures represented in the SEFA, CHI provided federal awards to subrecipients as follows

CFDA Program Title

	Amount
12 420 – Military Medical Research and Development	$ 277,897
93 241 – State Rural Hospital Flexibility Program	3,587
93 Unknown – Clinical Practice Support	17,742
	$ 299,226

Catholic Health Initiatives

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I – Summary of Auditor's Results

Financial statements section

Type of auditor's report issued (unmodified, qualified, adverse, or disclaimer)	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	____ **yes**	X **no**
Significant deficiency(ies) identified?	____ **yes**	X **none reported**
Noncompliance material to financial statements noted?	____ **yes**	X **no**

Federal awards section

Internal control over major programs		
Material weakness(es) identified?	X **yes**	____ **no**
Significant deficiency(ies) identified?	X **yes**	____ **none reported**
Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer)	Unmodified for all major programs, except for Special Supplemental Nutrition Program for Women, Infants, and Children, Distance Learning and Telemedicine Loans and Grants, Block Grants for Community Mental Health Services, Health Care and Other Facilities, and National Bioterrorism Hospital Preparedness Program, which were qualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	X **yes**	____ **no**

Part I – Summary of Auditor's Results (continued)

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
84 007, ARRA-84 033, ARRA-84 063, 84 268	Student Financial Assistance Cluster
Various	Research and Development Cluster
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children
10 855	Distance Learning and Telemedicine Loans and Grants
14 128	Mortgage Insurance Hospitals
14 235	Supportive Housing Program
ARRA-17 275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
93 621	Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents
93 887	Health Care and Other Facilities
93 889	National Bioterrorism Hospital Preparedness Program
93 958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between Type A and Type B programs $300,000

Auditee qualified as low-risk auditee? _____ **yes** __X__ **no**

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit

There were no financial statement findings

Part III – Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section 510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program

Finding 2013-001 – Significant Deficiency – SEFA Preparation – Reporting

Federal program information	U S Department of Agriculture U S Department of Defense U S Department of Education U S Department of Health and Human Services Research and Development Cluster (R&D) CFDAs 93 846, 93 853, 93 610, 93 839, 12 420 and 84 133 CFDA 10 855 Distance Learning and Telemedicine Loans and Grants (DLT) CFDA 93 621 Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents (ACA Initiative) CFDA 93 889 National Bioterrorism Hospital Preparedness Program (HPP)
Criteria or specific requirement (including statutory, regulatory or other citation)	In accordance with OMB Circular A-133 Section_ 300, the auditee shall identify, in its accounts, all federal awards received and expended and the federal programs under which they were received Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity Additionally, the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards
Condition	CHI did not provide a complete and accurate listing of all federal awards and expenditures on the schedule of expenditures of federal awards Various major programs were affected as named above
Questioned costs	$0
Context	During our audit procedures, we noted expenditures were misstated for various major programs on the initial schedule of expenditures of federal awards provided The net misstatement was an overstatement of $442,576, which was ultimately adjusted on the final schedule of expenditures of federal awards The errors noted related to cutoff issues, research and development classification issues, omitted federal grants and funds from for-profit entities included on the schedule We specifically noted the following • R&D was understated by a net amount of $22,991 due to the

	reclassification of certain grants to/from the cluster and due to cutoff issues (reclassifications identified by CHI) • DLT was overstated by $133,084 due to cutoff issues • Funding in the amount of $311,265 from a for-profit company was included in the schedule in error for CFDA 93 959 • ACA Initiative was overstated by $30,200 due to cutoff issues • HPP was understated by $30,600 due to cutoff issues • HPP was understated by $8,088 due to the omission of one grant (identified by CHI) • Other miscellaneous differences
Effect	Failure to properly accumulate federal expenditures could result in the improper preparation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133
Cause	CHI does not have an effective process in place to properly accumulate all expenditures of federal awards This is primarily the result of CHI having numerous locations and the federal awards being administered by various departments and individuals at multiple locations
Recommendation	CHI should challenge the current accumulation process for reporting expenditures of federal awards A suggestion to improve the current process is to record all federal expenditures in designated general ledger accounts This will help to ensure that federal expenditures are accurately included on the SEFA CHI should establish procedures to ensure that research and development grants are classified correctly in the SEFA
Views of responsible officials and planned corrective actions	Beginning in FY 2014, CHI has centralized grant accounting and has implemented a grant module within its accounting system The implementation of this module will give CHI a tool to effectively accumulate and report federal expenditures Within this module, cluster information is stored, which will ensure the correct classification of research and development grants CHI self-disclosed programs that were omitted from the original SEFA provided to Ernst and Young LLP and self-identified programs for reclassification to/from the research and development cluster

Finding 2013-002 – Eligibility

Federal program information	U S Department of Agriculture CFDA 10 557 – Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC) Passed Through Washington State Department of Health – Franciscan Medical Group (N19872) Passed through King County Washington State – Highline Medical Group (CHS2443) Passed through North Country Community Health Board – St Joseph's Area Health Services
Criteria or specific requirement (including statutory, regulatory or other citation)	Scope Limitation – Eligibility per OMB Circular A-133 Section 5102(5) the auditor should report a finding when the auditor's report on compliance is other than unqualified
Condition	CHI was unable to provide sufficient documentation at Franciscan Medical Group in Tacoma, Washington, supporting eligibility determinations made for WIC program participants due to the use of a paperless software system supported by the State of Washington and the U S Department of Agriculture
Questioned costs	$0
Context	Upon the screening of an individual for eligibility for participation in the WIC program, Franciscan Medical Group reviews the support for income, residency, etc , and documents the applicant's eligibility in a software program supported by the State of Washington and the U S Department of Agriculture Based upon the inputs from screening, the software program indicates whether or not an individual is eligible for WIC However, Franciscan Medical Group is not required to and does not retain evidence of what was documented in the software program
Effect	We are not able to test eligibility compliance or controls over compliance for the WIC program at Franciscan Medical Group resulting in a scope limitation Due to the scope limitation at Franciscan Medical Group, which accounted for 89% of the WIC expenditures, the scope limitation is reported

	for the WIC program overall
Cause	The paperless software system used for the WIC program at Franciscan Medical Group does not require the retention of records supporting eligibility determination, and such records are not retained
Recommendation	None
Views of responsible officials and planned corrective actions	A scope limitation qualified opinion was issued for Catalog of Federal Domestic Assistance (CFDA) 10 557 – Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC) as the auditors were unable to obtain sufficient documentation supporting the compliance of Franciscan Medical Group (FMG) regarding eligibility for participants FMG uses a paperless software system as required by the State of Washington and the U S Department of Agriculture Third-party documentation is reviewed by FMG at the time the initial eligibility determination of a WIC participant is made However, due to the paperless system, these records are not retained Since FMG follows the paperless system as described above, no further corrective action will be taken CHI notes that this issue is isolated to FMG and does not apply to the other CHI locations that receive funding from the WIC program

Finding 2013-003 – Procurement

Federal program information	U S Department of Agriculture U S Department of Health and Human Services (HHS) CFDA 10 855 Distance Learning and Telemedicine Loans and Grants (DLT). Good Samaritan Hospital (Kearney) (Nebraska 716-E17) and Alegent Creighton Health (Alegent) (Nebraska 725-B17) Kearney and Alegent represent all expenditures of the major program CFDA 93 889 – National Bioterrorism Hospital Preparedness Program (HPP) Passed through Kansas Department of Health and Environment – St Catherine Hospital (Garden City) Passed through Tennessee Department of Health – Memorial Hospital (Chattanooga) (34349-35813) Passed through Pennsylvania Department of Health and Human Services – St Joseph Medical Center (Reading) (4100051125) Passed through Iowa Department of Public Health – Alegent Creighton Health (Alegent) Garden City. Chattanooga. Reading and Alegent represent $307.966 of total major program expenditures of $456.463 CFDA 93 887 – Health Care and Other Facilities (HCOF). Mercy Health Foundation (Durango) (C76HF19377) Durango represents $693.000 of total major program expenditures of $891.612 CFDA 93 958 – Block Grants for Community Mental Health Services (Mental Health). Passed through Iowa Department of Health and Human Services. Alegent Creighton Health (Alegent) (MHDS11-0461 11-054) Alegent represents $67.443 of total major program expenditures of $473.040 CFDA 93 621 – Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents (ACA Initiative). Alegent Creighton Health (Alegent) (1E1CMS331085) Alegent represents all expenditures of the major program

Criteria or specific requirement (including statutory, regulatory or other citation)	In accordance with 2 CFR Section 215 44(a) codified in 45 CFR Section 74 44(a) by HHS and 7 CFR Section 3019 449(a) by Agriculture, all recipients shall establish written procurement procedures These procedures shall provide for, at a minimum, that (1) Recipients avoid purchasing unnecessary items (2) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the recipient and the federal government (3) Solicitations for goods and services provide for all of the following (i) A clear and accurate description of the technical requirements for the material, product, or service to be procured In competitive procurements, such a description shall not contain features that unduly restrict competition (ii) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals (iii) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards (iv) The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation (v) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement (vi) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient
Condition	For various CHI locations, written procurement policies either did not exist or did not contain all required elements in accordance with criteria above CHI does not have a corporate-wide written procurement policy
Questioned costs	$0
Context	Written procurement policies do not meet the minimum

	requirements per federal requirements for DLT – Kearney, HPP Chattanooga, and Reading, HCOF – Durango and Alegent, DLT, Mental Health, ACA Initiative, and HPP HPP Garden City does not have a written procurement policy CHI does not have a corporate-wide written procurement policy
Effect	Without written policies that incorporate federal requirements for procurements with federal funds, noncompliance with federal requirements may be more likely to occur
Cause	Locations may not be aware of the requirements of 45 CFR Section 74 44(a) and 7 CFR Section 3019 44(a) and would benefit from a corporate-wide policy that complies with the requirements
Recommendation	CHI should prepare a written procurement policy that meets all of the requirements of 2 CFR Section 215, as codified by HHS at 45 CFR Section 74 44(a), and provide to all CHI locations
Views of responsible officials and planned corrective actions	CHI will prepare and implement a written procurement policy during FY 2014 that incorporates all of the federal requirements

Finding 2013-004 – Material Weakness – Equipment and Real Property Management

Federal program information	U S Department of Agriculture U S Department of Health and Human Services (HHS) CFDA 10 855 – Distance Learning and Telemedicine Loans and Grants (DLT), Good Samaritan Hospital (Kearney) (Nebraska 716-E17) and Alegent Creighton Health (Alegent) (Nebraska 725-B17) Kearney and Alegent represent all expenditures of the major program CFDA 93 889 – National Bioterrorism Hospital Preparedness Program (HPP) Passed through Kansas Department of Health and Environment – St Catherine Hospital (Garden City) Passed through Tennessee Department of Health – Memorial Hospital (Chattanooga) (34349-35813) Passed through Pennsylvania Department of Health and Human Services – St Joseph Medical Center (Reading) (4100051125) Passed through Iowa Department of Public Health – Alegent Creighton Health (Alegent) Garden City, Chattanooga, Reading, and Alegent represent $307,966 of total major program expenditures of $456,463 CFDA 93 887 – Health Care and Other Facilities (HCOF), Mercy Foundation of Des Moines, Iowa (Des Moines) (C76HF19995) Des Moines represents $198,612 of total major program expenditures of $891,612
Criteria or specific requirement (including statutory, regulatory or other citation)	In accordance 2 CFR Section 215 34(f), codified by HHS at 45 CFR Section 74 34(f) and by Agriculture at 7 CFR Section 3019 349(f), property management records for equipment acquired with federal funds shall include all of the following description of equipment, serial number, model number, or other identification number, source of the equipment, including the award number, whether the title vests in the recipient or federal government, acquisition date, location and condition of equipment, unit acquisition cost, and ultimate disposition date Also, the recipient shall take a physical inventory of equipment and the results reconciled with the equipment records at least once every two

	years Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment
Condition	CHI's property management records for equipment acquired with federal funds do not include all of the required information at various locations Physical inventories were not performed or documented adequately at various locations
Questioned costs	$0
Context	For DLT – Kearney, the equipment records did not include source, who holds title, percentage of federal participation in the cost, condition, and disposition data For HPP – Garden City, a list of capital equipment is not maintained, and equipment is not recorded as in the general ledger as capital equipment Garden City's grant document requires that an inventory control system for tracking capital equipment be maintained For HPP – Chattanooga, the list of capital equipment only includes the item description, serial number, and location and does not include acquisition date or cost, who holds title, condition, or disposition data For HPP – Reading, an equipment listing is not maintained, however, one was prepared by Reading for the last five years but did not include acquisition date, who holds title, condition or disposition data HPP – Reading was able to download an equipment list from HHS's website going back to 2005, however, it did not contain all required fields and would not suffice to meet the federal requirements noted above For Alegent – HPP and DLT, the listing did not include source, who holds title, percentage of federal participation in the cost, condition, and disposition data Further, Alegent did not provide a listing of equipment purchased under these federal grants from

	grant inception to date For HCOF – Des Moines, the listing included a brief description but did not include an identification number, source, who holds title, percentage of federal participation in the cost, condition, and disposition data For HPP – Chattanooga, no evidence of physical inventory was provided For HPP – Garden City, a physical inventory was provided for various items including supplies, however, it could not be determined if the listing included all potential capital equipment items since no other listing of federally funded capital equipment is maintained or was provided For HPP – Reading, the physical inventory was performed on a sample basis, and Reading indicated that it was possible that HPP items may not have been counted The documentation also contained unresolved differences and questions For Alegent, DLT, and HPP, a physical inventory was performed on an annual basis for all Alegent locations, however, per review of documentation, the inventories conducted at the various locations are not sufficiently tracked centrally with follow-up of differences or non-responses to the inventory requests For HCOF – Des Moines, no physical inventory was taken Equipment is maintained by clinical engineering which verifies inventory annually
Effect	Misappropriation or loss of equipment purchased with federal funds could occur when internal controls designed to prevent and detect noncompliance related to safeguarding and identifying federal equipment are not implemented or operating effectively
Cause	Proper controls were not implemented to appropriately record equipment information in the system after the equipment was received and tagged and to perform the required physical inventories every two years

Recommendation	All equipment purchased with federal funds should be appropriately tagged, and a detailed listing should be maintained with all of the required elements A physical inventory observation of federally funded equipment should be performed and documented every two years
Views of responsible officials and planned corrective actions	CHI will implement a policy during FY 2014 that requires a physical inventory observation of federally funded equipment every two years CHI will also investigate storing the required attributes of 2 CFR Section 215 34 in its fixed asset accounting module

Finding 2013-005 – Allowable Costs/Cost Principles
Material Weakness – Program 93.958
Significant Deficiency – Programs 93.889
Control Deficiency – Research and Development Cluster

Federal program information	U S Department of Health and Human Services (HHS) CFDA 93 889 – National Bioterrorism Hospital Preparedness Program (HPP) Passed through Kansas Department of Health and Environment – St Catherine Hospital (Garden City) Passed through Iowa Department of Public Health – Alegent Creighton Health (Alegent) (5883BHP 304, 88, 62, 61, 14, 63, 15) Alegent and Garden City represent $185,250 of the total program expenditures of $456,463 CFDA 93 958 – Block Grants for Community Mental Health Services (Mental Health), passed through Iowa Department of Health and Human Services, Alegent Creighton Health (Alegent) (MHDS 11-046/11-054) Alegent represents $67,443 of the total program expenditures of $473,040 Research and Development Cluster – Jewish Hospital and St Mary's Health Care, Inc (Kentucky) Passed through Drexel University (11012367) Kentucky represents $376,447 of the total program expenditures of $536,377
Criteria or specific requirement (including statutory, regulatory or other citation)	As required by CFR 45 Part 74 Appendix E and OMB A-122, Attachment B, Paragraph 7, the distribution of salaries and wages must be supported by personnel activity reports for each employee whose compensation is charged in whole or in part to the award The reports must reflect an assessment of actual activity for each employee, must account for the total activity for which the employee is compensated, must be prepared at least monthly, must coincide with one or more pay periods, and must be signed by the individual employee or a supervisory official having firsthand knowledge of the activities performed by the employee Budget estimates should not be used as support for expenditures

Condition	CHI did not require employees to prepare time and effort records or personnel activity reports for employees charging hours to federal grants for certain federal grants
Questioned costs	93 889 $19,965 93 958 $41,000 Research and Development 93 846 $15,179
Context	Hours charged to the HPP grant for two selected employees' salaries and wages of $1,773 were not supported by time and effort records at Alegent Alegent indicated that time and effort records were not prepared for other employees Total HPP payroll expenditures at Alegent were $19,950 Hours charged to the HPP grant for one selected employee's salaries and wages of $15 were not supported by time and effort records at Garden City Further for this grant, the grant document for Garden City requires grantee to document through job descriptions and employee time and attendance records that all staff members paid with HPP funds are performing activities related to preparedness Total payroll expenditures for this grant at Garden City were $1,412 Hours charged to the 93 958 Mental Health grant for selected employees' salaries and wages totaling $21,532 were based on a pro rata share of the original budgeted hours and were not supported by time and effort records at Alegent Total payroll expenditures to this grant at Alegent were approximately $41,000 Hours charged to the Research and Development Cluster, specifically CFDA 93 846, Arthritis, Musculoskeletal, and Skin Diseases Research at Kentucky, for one selected employee's salaries, wages, and fringe benefits plus indirect costs totaled $582 The salaries and wages charged to the grant represented the budgeted percent of 25% of total effort per the grant agreement, however, the time and effort records for the employee did not reflect the actual hours worked by the employee on the grant Total payroll expenditures plus indirect costs charged to this grant at Kentucky were $15,179

Effect	Payroll expenditures cannot be supported for amounts charged to federal awards
Cause	Grantees and employees were not aware of the federal requirements
Recommendation	Personnel activity reports or time and effort records should be prepared at least monthly and coincide with one or more pay periods for employees who charge time to federal programs and be signed by the employee or supervisory official having firsthand knowledge of the activities performed by the employee
Views of responsible officials and planned corrective actions	CHI will implement a time and effort reporting policy during FY2014 that incorporates all of the federal requirements

Finding 2013-006 – Material Weakness – Procurement and Suspension and Debarment

Federal program information	U S Department of Agriculture CFDA 10 855 – Distance Learning and Telemedicine Loans and Grants (DLT) (Nebraska 716-E17), Good Samaritan Hospital (Kearney) Kearney represents $247,131 of the total program expenditures of $614,047
Criteria or specific requirement (including statutory, regulatory or other citation)	Per 7 CFR 3019 43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition Per 7 CFR 3019 45, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability Per 7 CFR 3019 46, procurement records and files for purchases in excess of the small purchase threshold of $25,000 shall include the following at a minimum (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price
Condition	CHI did not provide evidence of competitive procurement or sole source justification for one purchase
Questioned costs	$0
Context	For DLT Kearney, CHI did not provide evidence of competitive procurement or sole source justification for a purchase of information technology equipment for $184,390
Effect	Federal awards may not be expended in a manner that allows for open and free competition to the extent practical, which results in noncompliance with federal requirements

Cause	Documentation was not retained or inadequate knowledge of federal requirements of those personnel procuring goods or services
Recommendation	All procurement transactions should be conducted in a manner to provide, to the maximum extent practical, open and free competition and a cost or price analysis be performed for procurement transactions Procurement files should be maintained for procurements above a threshold establish by CHI, which is not less stringent than federal requirements, that include (a) the basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price
Views of responsible officials and planned corrective actions	CHI will implement a written procurement policy during FY 2014 that incorporates all of the federal requirements

Finding 2013-007 – Cash Management

Federal program information	U S Department of Health and Human Services CFDA 93 621 – Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents (ACA Initiative), Alegent Creighton Health (Alegent) (1E1CMS331085) Alegent represents all expenditures of the major program
Criteria or specific requirement (including statutory, regulatory or other citation)	Per OMB Circular A-110 2 CFR, Section 215 22, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government When funds are advanced, recipients must have written procedures to minimize the time elapsing between the transfer of funds from the U S Treasury and disbursement by the recipient
Condition	For the ACA Initiative program at Alegent, the grant was on a reimbursement basis Reimbursement was requested and received prior to the underlying expenditures being incurred
Questioned costs	$0
Context	Alegent received federal funds of approximately $536,000 during the year compared to only $412,000 in underlying expenditures for the year Funds were received in February, March, and May 2013, and expenditures were made through June 30, 2013, with approximately $100,000 remaining as cash on hand per Federal Financial Report for period ended June 30, 2013
Effect	Program funds were requested before program costs were incurred, so grant was not on a reimbursement basis
Cause	Alegent initially misunderstood the method of payment, resulting in excess reimbursement over expenses
Recommendation	For grants on a reimbursement basis, program costs should be paid for by CHI funds before reimbursement is requested from the

	federal government
Views of responsible officials and planned corrective actions	During FY 2013, and prior to this audit, CHI personnel worked with the grantor agency to resolve this issue. This issue resulted from confusion due to wording in the grant agreement and conflicting guidance from multiple sources at the grantor agency. CHI understands the requirements and will follow the requirements in the future.

Finding 2013-008 – Material Weakness – Reporting

Federal program information	U S Department of Agriculture CFDA 10 855 – Distance Learning and Telemedicine Loans and Grants (DLT), Alegent Creighton Health (Alegent) (Nebraska 725-B17) Alegent represents $366,916 of the total program expenditures of $614,047
Criteria or specific requirement (including statutory, regulatory or other citation)	In accordance with Section 5 7 of the Distance Learning and Telemedicine Grant Agreement between the U S Department of Agriculture Rural Utilities Service (RUS) and Alegent, dated January 20, 2012, within ninety (90) days after the close of each calendar year, the grantee shall deliver to RUS a Project Performance Activity Report, in a form and substance satisfactory to RUS, in accordance with RUS Regulations at 7 CFR 1703 107 and a completed Standard Form 425, Federal Financial Report The grantee shall the deliver the Project Performance Activity Report and Standard Form 425 until the expiration or termination of the grant or the completion of the project and expenditure of all grant funds by the grantee The Project Performance Activity Report shall include, but is not limited to, the following (1) A comparison of actual accomplishments to the objectives established for that period, (2) A description of any problems, delays, or adverse conditions that have occurred, or are anticipated, and that may affect the attainment of overall project objectives, prevent the meeting of time schedules or objectives, or preclude the attainment of particular project work elements during established time periods This disclosure shall be accompanied by a statement of the action taken or planned to resolve the situation, and (3) Objectives and timetable established for the next reporting period
Condition	Alegent did not submit a Project Performance Activity Report or a Standard Form 425 for the year ended June 30, 2012
Questioned costs	$0

Context	DLT Alegent did not submit a Project Performance Activity Report or a Standard Form 425 for the year ended June 30, 2012
Effect	DLT Alegent is not in compliance with the grant's reporting requirements
Cause	DLT Alegent indicated that report was not submitted for 2012 since grant personnel was not aware that there were grant expenditures in 2012
Recommendation	CHI should establish controls to ensure that all required reports are submitted to grantors in accordance with grant requirements
Views of responsible officials and planned corrective actions	CHI personnel have been in contact with the grantor agency regarding this issue The 2013 report will include all activity that has taken place during the life of the grant, including activity that should have been reported for 2012 CHI understands the reporting requirements and will comply with the requirements in the future

Catholic Health Initiatives

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

Federal Award Findings and Questioned Costs – For the Year Ended December 31, 2012
Catholic Health Initiatives – Highline Medical Center – Burien, WA

Finding 12-001 – Equipment
(CFDA 14.128)

Current year status: Highline Medical Center affiliated with CHI as of April 1, 2013 At that time, Highline Medical Center adopted CHI policies and procedures related to fixed assets The threshold for fixed asset capitalization is now $3,000 None of the items related to this finding would now be subject to capitalization Highline Medical Center had discussions with all levels of staff regarding the proper tracking and reporting of fixed assets Additionally, the HUD loan was repaid subsequent to year-end

Federal Award Findings and Questioned Costs – For the Year Ended June 30, 2012
Catholic Health Initiatives – Iowa, Corp. d/b/a Mercy Medical Center – Des Moines, IA

Finding 12-1 – Procurement Policy and Conflict of Interest Policy
(CFDA 14.235 and CFDA 17.275)

Current year status: The finding has been corrected Mercy Medical Center implemented a corporate procurement policy for grant-funded purchases with an effective date of October 2011

Finding 12-2 – Procurement Transactions and Suspension and Debarment
(CFDA 14.235)

Current year status: Mercy Medical Center implemented a corporate procurement policy for grant-funded purchases with an effective date of October 2011

The finding also addresses a "special procurement requirement" contained in the pass-through contract which required Mercy Medical Center to insert a required clause in its contracts for goods and services paid by the grantor After further review of this clause, Mercy Medical Center disagrees with this portion of the finding as the clause appears to only be required in employment related contracts and not contracts for goods The contracts that were tested that resulted in this finding were related to goods As a result, no further action will be taken on this portion of the finding

Federal Award Findings and Questioned Costs – For the Year Ended June 30, 2011
Catholic Health Initiatives – Iowa, Corp. d/b/a Mercy Medical Center – Des Moines, IA

Finding 11-7 – Level of Effort and Cash Management
(CFDA 93.959)

Current year status: The finding has been substantially corrected House of Mercy reviews monthly performance reports from the pass-through for contract performance Periodic reviews with the pass-through entity were performed over the contract period with no requests for return of funds A request has been made to the pass-through entity to provide written documentation of these reviews of service In addition, House of Mercy will document future meeting outcomes with the pass-through entity A CHI national policy has been implemented that covers the requirements of Section 22 of 2 CFR Part 215

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