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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
Covenant Medical Center Inc

Doing Business As
COVENANT HEALTHCARE

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1447 N Harrison
Suite

City or town, state or country, and ZIP + 4
Saginaw, MI 48602

D Employer identification number
38-3369438

E Telephone number
(989) 583-6006

G Gross receipts $ 513,248,493

F Name and address of principal officer
SPENCER MAIDLOW
1447 N HARRISON
SAGINAW, MI 48602

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 ▶

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

J Website: ▶ www covenanthealthcare com

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

L Year of formation 1997

M State of legal domicile MI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE DIVERSE MEDICAL CARE TO MEET THE HEALTH CARE NEEDS OF THE 14 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE

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**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	4,715
6	Total number of volunteers (estimate if necessary)	**6**	385
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	153,170
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	104,762

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	5,873,350	2,937,916
	9 Program service revenue (Part VIII, line 2g)	490,471,893	483,843,245
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	9,284,228	18,379,563
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,487,821	7,836,405
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	513,117,292	512,997,129
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	269,442,456	266,122,545
	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)	218,812,864	215,302,133
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	488,255,320	481,424,678
	19 Revenue less expenses Subtract line 18 from line 12	24,861,972	31,572,451

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	529,758,145	555,736,306
	21 Total liabilities (Part X, line 26)	327,903,598	292,035,317
	22 Net assets or fund balances Subtract line 21 from line 20	201,854,547	263,700,989

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 — 2014-05-13 Date

▶ MARK E GRONDA VICE PRESIDENT/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶	
Firm's address ▶ 41 S HIGH ST 1100 HUNTINGTON CTR COLUMBUS, OH 43215			Phone no (614) 232-7414	

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

TO PROVIDE DIVERSE MEDICAL CARE TO MEET THE HEALTH CARE NEEDS OF THE 14 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE

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 $ 461,981,356 including grants of $) (Revenue $ 483,843,245)

ONE OF THE LARGEST, MOST COMPREHENSIVE HEALTH CARE FACILITIES NORTH OF METRO DETROIT, COVENANT HEALTHCARE IS PREPARED TO RESPOND TO THE DIVERSE MEDICAL NEEDS OF OUR REGION WE OFFER A BROAD SPECTRUM OF PROGRAMS AND SERVICES RANGING FROM OBSTETRICS, NEONATAL AND PEDIATRIC CARE, TO ACUTE CARE INCLUDING CARDIOLOGY, ONCOLOGY, SURGERY AND MANY OTHER SERVICES ON THE LEADING EDGE OF MEDICINE ALL OF OUR PROGRAMS AND SERVICES EXEMPLIFY OUR COMMITMENT TO PROVIDING QUALITY, COMPASSIONATE CARE AS A MEDICAL FACILITY WITH MORE THAN 600 BEDS AND A COMPLETE RANGE OF MEDICAL SERVICES, COVENANT HEALTHCARE STANDS READY TO MEET THE NEEDS OF THE 14 COUNTIES IN EAST CENTRAL MICHIGAN WE SERVE WITH MORE THAN 20 INPATIENT AND OUTPATIENT FACILITIES, COVENANT HEALTHCARE OFFERS CONVENIENCE AND EASY ACCESS TO HIGH QUALITY CARE THE MEDICAL CENTER PROVIDED THE FOLLOWING FOR THE FISCAL YEAR 2013 6,966 WOMEN'S AND CHILDREN'S CASES, 8,132 CARDIOLOGY CASES, 3,879 GENERAL MEDICAL CASES, 2,599 ORTHOPEDIC CARE CASES, AND 2,511 PULMONARY CASES

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** ▶ 461,981,356

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 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		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b	Yes	
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**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *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**	Yes	
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**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, 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	254		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	4,715		
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		Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ 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** 14		
	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** 10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**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**	Yes	
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**	Yes	
b	Other officers or key employees of the organization	**15b**	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**	Yes	
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**	Yes	

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ 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

▶MARK E GRONDA 1447 N HARRISON SAGINAW, MI (989) 583-2769

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) JOHN SHELTON BOARD MEMBER	4 0 0 0	X						1,612		
(2) CULLI DAMUTH BOARD MEMBER	4 0 0 0	X						1,217	0	0
(3) SPENCER MAIDLOW PRESIDENT/CEO	50 0 8 0	X		X				1,973,535	0	45,833
(4) Gene Pickelman Board Member	4 0 0 0	X								
(5) LAWRENCE SIMS VICE CHAIRMAN	4 0 0 0	X		X						
(6) GREGORY LUBBEN TREASURER	4 0 0 0	X		X				1,612		
(7) MORRISON STEVENS SR BOARD MEMBER	4 0 0 0	X								
(8) GARY RUMMEL BOARD MEMBER	4 0 0 0	X								
(9) TERRY NEIDERSTADT CHAIRMAN	4 0 0 0	X		X				1,677		
(10) MORTON WELDY SECRETARY	4 0 0 0	X		X				1,638		
(11) SUSAN STEMLER BOARD MEMBER	4 0 0 0	X						1,612		
(12) JOHN JOHNSON MD BOARD MEMBER	4 0 0 0	X						1,612		
(13) DAVID MEYER BOARD MEMBER	4 0 0 0	X						1,612		
(14) DWIGHT MCNALLY BOARD MEMBER	4 0 0 0	X								
(15) MARK GRONDA VICE PRESIDENT/CFO	50 0 8 0			X				528,741	0	196,818
(16) EDWARD BRUFF VICE PRESIDENT	50 0 4 0			X				638,322	0	312,890
(17) CAROL STOLL VICE PRESIDENT	50 0 4 0			X				330,010	0	119,983

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) DR JOHN KOSANOVICH VICE PRESIDENT	50 0 4 0			X				515,455	0	272,770
(19) DANIEL GEORGE VICE PRESIDENT	50 0 4 0			X				528,331	0	61,024
(20) TIM WENZEL VICE PRESIDENT	50 0 4 0			X				728,848	0	175,841
(21) Stacy Goldsholl VP/CMG	50 0 0 0			X				611,864	0	13,048
(22) DR Anthony DeBari PHYSICIAN	50 0 0 0					X		836,480	0	0
(23) DR Umesh Badami PHYSICIAN	50 0 0 0					X		812,332	0	0
(24) DR Scott Martin PHYSICIAN	50 0 0 0					X		716,172	0	0
(25) Firas Alani Physician	50 0 0 0					X		706,340	0	0
(26) Manoj Sharma Physician	50 0 0 0					X		697,550	0	0
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								9,636,572	0	1,198,207

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 ▶ 255

			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**		No
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
EPIC SYSTEMS CORP , PO BOX 88314 MILWAUKEE WI 53288	IT MTC SUPPORT	3,213,984
REHABCARE GROUP , PO BOX 502096 ST LOUIS MO 631502096	REHAB SERVICES	2,396,865
EXECUTIVE HEALTH RESOURCES , PO BOX 822688 PHILADELPHIA PA 19182	CONSULTING SERVICES	1,680,487
OWENS MINOR , 12199 COLLECTION CENTER DRIVE CHICAGO IL 60693	EQUIPMENT SERVICE	1,505,956
DICKINSON WRIGHT PLC , 4800 FASHION SQ BLVD SAGINAW MI 48604	LEGAL SERVICES	1,092,602

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 ▶ 105

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	0			
	d	Related organizations	1d	305,135			
	e	Government grants (contributions)	1e	2,632,781			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $		305,135			
	h	**Total.** Add lines 1a-1f		2,937,916			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICE REVENUE	621990	475,194,938	475,194,938	0	0
	b	JOINT VENTURE OPERATIONS	621990	6,350,342	6,350,342	0	0
	c	EDUCATIONAL REVENUE	611710	970,981	970,981	0	0
	d	LAB BILLINGS	621500	1,326,984	1,194,286	132,698	0
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		483,843,245			
	3	Investment income (including dividends, interest, and other similar amounts)		5,202,405			5,202,405
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			

		(i) Real	(ii) Personal				
6a	Gross rents	2,461,560					
b	Less rental expenses						
c	Rental income or (loss)	2,461,560	0				
d	Net rental income or (loss)			2,461,560			2,461,560

		(i) Securities	(ii) Other				
7a	Gross amount from sales of assets other than inventory	12,986,248	60,454				
b	Less cost or other basis and sales expenses		251,364				
c	Gain or (loss)	12,986,248	-190,910				
d	Net gain or (loss)			13,177,158			13,177,158

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	0			
	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	CAFETERIA SALES	722211	2,238,891	0	20,472	2,218,419
	b	MISCELLANEOUS REVENUE	921110	3,135,954	0	0	3,135,954
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		5,374,845			
	12	**Total revenue.** See Instructions		512,997,129	483,710,547	153,170	26,195,496

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	0	0		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0	0		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0	0		
4 Benefits paid to or for members	0	0		
5 Compensation of current officers, directors, trustees, and key employees	7,982,204	7,982,204		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	476,983	476,983		
7 Other salaries and wages	202,099,762	192,991,701	9,108,061	0
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	13,031,302	13,031,302	0	0
9 Other employee benefits	28,995,577	28,964,276	31,301	0
10 Payroll taxes	13,536,717	12,999,730	536,987	0
11 Fees for services (non-employees)				
a Management	0	0	0	0
b Legal	1,646,134	713	1,645,421	0
c Accounting	249,725	2,559	247,166	0
d Lobbying	81,667	0	81,667	0
e Professional fundraising services See Part IV, line 17	0			0
f Investment management fees	637,478	0	637,478	0
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	38,895,635	34,215,512	4,680,123	0
12 Advertising and promotion	2,702,465	2,614,085	88,380	0
13 Office expenses	6,619,463	6,619,463	0	0
14 Information technology	7,819,522	7,819,522	0	0
15 Royalties . .	0	0	0	0
16 Occupancy	14,227,003	14,166,542	60,461	0
17 Travel	184,245	180,044	4,201	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19 Conferences, conventions, and meetings	698,983	53,589	645,394	0
20 Interest	4,671,569	4,671,569	0	0
21 Payments to affiliates	0	0	0	0
22 Depreciation, depletion, and amortization	28,734,965	28,734,965	0	0
23 Insurance	6,015,924	6,013,788	2,136	0
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	93,486,025	93,437,583	48,442	0
b DUES	1,910,609	1,095,026	815,583	0
c COLLECTION EXPENSES	1,711,251	1,711,251	0	0
d SUPPLIER DISTRIBUTION FEES	1,435,046	1,435,046	0	0
e All other expenses	3,574,424	2,763,903	810,521	
25 **Total functional expenses.** Add lines 1 through 24e	481,424,678	461,981,356	19,443,322	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		11,996,573	1	23,249,803
	2	Savings and temporary cash investments		14,201,872	2	19,045,871
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		51,064,258	4	45,677,689
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	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		0	6	0
	7	Notes and loans receivable, net		167,094	7	0
	8	Inventories for sale or use		11,433,538	8	12,387,573
	9	Prepaid expenses and deferred charges		34,857,467	9	32,165,816
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 565,312,183			
	b	Less accumulated depreciation	10b 398,304,711	172,276,910	10c	167,007,472
	11	Investments—publicly traded securities		163,264,782	11	197,432,699
	12	Investments—other securities See Part IV, line 11		60,600,341	12	48,754,086
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		9,895,310	15	10,015,297
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		529,758,145	16	555,736,306
Liabilities	17	Accounts payable and accrued expenses		56,804,616	17	60,092,209
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		110,235,232	20	104,630,836
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	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		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		160,863,750	25	127,312,272
	26	**Total liabilities.** Add lines 17 through 25		327,903,598	26	292,035,317
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		201,854,547	27	263,700,989
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		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		201,854,547	33	263,700,989
	34	Total liabilities and net assets/fund balances		529,758,145	34	555,736,306

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	512,997,129
2	Total expenses (must equal Part IX, column (A), line 25)	2	481,424,678
3	Revenue less expenses Subtract line 2 from line 1	3	31,572,451
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	201,854,547
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	30,273,991
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	263,700,989

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		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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**
Covenant Medical Center Inc	38-3369438

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)?		No	
c	Media advertisements?		No	0
d	Mailings to members, legislators, or the public?		No	0
e	Publications, or published or broadcast statements?		No	0
f	Grants to other organizations for lobbying purposes?		No	0
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		81,667
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	0
i	Other activities?		No	0
j	Total Add lines 1c through 1i			81,667
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
SCH C PART II-B	LOBBYING ACTIVITY	KHEDER DAVIS WAS ENGAGED IN LOBBYING ACTIVITIES ON BEHALF OF COVENANT MEDICAL CENTER DURING FISCAL YEAR ENDED JUNE 30, 2013

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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	(b) (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		7,451,993		7,451,993
b Buildings		203,101,610	155,405,611	47,695,999
c Leasehold improvements		6,874,473	5,984,755	889,718
d Equipment		347,884,107	236,914,345	110,969,762
e Other				
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				167,007,472

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) LIMITED PARTNERSHIPS	17,124,833	F
(B) HEDGE FUNDS	31,629,253	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	48,754,086	

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
POST RETIREMENT BENEFITS	31,409,778
ACCRUED PENSION	64,695,969
OTHER LONG TERM LIABILITIES	31,206,525
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	127,312,272

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

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** 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 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.

3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

	(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
	Central America and the Caribbean			Program Services	SELF INSURANCE	367,454
	Central America and the Caribbean			Investments	INVESTMENTS	28,571,111
3a	Sub-total					28,938,565
b	Total from continuation sheets to Part I					
c	**Totals** (add lines 3a and 3b)					28,938,565

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Part II can be duplicated if additional space is needed.

1	**(a)** Name of organization	**(b)** IRS code section and EIN (if applicable)	**(c)** Region	**(d)** Purpose of grant	**(e)** Amount of cash grant	**(f)** Manner of cash disbursement	**(g)** Amount of of non-cash assistance	**(h)** Description of non-cash assistance	**(i)** Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . ▶ _____

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Part III can be duplicated if additional space is needed.

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*	☑ Yes	☐ No
2	Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organizationmay be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*	☑ Yes	☐ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*	☐ Yes	☑ No

Part V **Supplemental Information**

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	ReturnReference	Explanation

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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	Yes	
	☐ 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	Yes	
	☐ 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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit 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	22,413	2,980,512	71,020	2,909,492	0 600 %
b Medicaid (from Worksheet 3, column a)	1	32,238	84,336,964	76,023,962	8,313,002	1 730 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs	2	54,651	87,317,476	76,094,982	11,222,494	2 330 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	4,863	54,472	1,490,009		1,490,009	0 310 %
f Health professions education (from Worksheet 5)	5	40,013	9,903,463	4,549,977	5,353,486	1 110 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	36	480	11,075		11,075	
j **Total.** Other Benefits	4,904	94,965	11,404,547	4,549,977	6,854,570	1 420 %
k **Total.** Add lines 7d and 7j	4,906	149,616	98,722,023	80,644,959	18,077,064	3 750 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with 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	10,896,508		
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	5,454,360		
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	188,941,329		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	187,240,643		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	1,700,686		
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 COV HLTH CRE PRTNRS	HEALTH CARE	50 000 %		50 000 %
2 MACKINAW SURGERY	SURGERY CENTER	49 750 %		50 250 %
3 COV HLCR MACKINAW FC	RENTAL	82 000 %		18 000 %
4 COV POB LLC	RENTAL	37 500 %		50 000 %
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?
4

	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	COVENANT MEDICAL CENTER INC (COOPER) 700 COOPER SAGINAW, MI 48602 WWW COVENANTHEALTHCARE COM	X	X		X			X			
2	COVENANT MEDICAL CENTER INC (HARRISON 1447 N HARRISON SAGINAW, MI 48602 WWW COVENANTHEALTHCARE COM	X	X		X			X			
3	COVENANT MEDICAL CENTER INC (REHAB) 515 N MICHIGAN AVE SAGINAW, MI 48602 WWW COVENANTHEALTHCARE COM	X	X							REHABILITATION UNIT	
4	COVENANT MEDICAL CENTER INC (MICHIGAN 515 N MICHIGAN AVE SAGINAW, MI 48602 WWW COVENANTHEALTHCARE COM	X	X							SKILLED NURSING UNIT	

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 COVENANT MEDICAL CENTER INC (COOPER)

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 10			
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**		
	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)*

			Yes	No
Financial Assistance Policy				
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**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % 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 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 COVENANT MEDICAL CENTER INC (HARRISON

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 2

			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 10			
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**		
	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)*

			Yes	No
Financial Assistance Policy				
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**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % 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 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 COVENANT MEDICAL CENTER INC (REHAB)

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 3

			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 10			
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**		
	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)*

			Yes	No
Financial Assistance Policy				
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**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % 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 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 COVENANT MEDICAL CENTER INC (MICHIGAN

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 4

			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 10			
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**		
	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)*

			Yes	No
Financial Assistance Policy				
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**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % 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?
28

	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
SCHEDULE H, PART I, LINE 7	THE BEST AVAILABLE INFORMATION WAS USED TO CALCULATE THE COST IN LINE 7	COST IS BASED ON THE COST-TO-CHARGE RATIO MEDICAID COST ON ROW (B) CALCULATED USING RATIO OF COST TO CHARGE FROM WORKSHEET 3
SCHEDULE H, PART III, LINE 4	FOOTNOTE TO AUDITED FINANCIAL STATEMENTS OF DEBT DEBT EXPENSE	THE PROVISION FOR BAD DEBTS IS BASED ON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE AND CURRENT MARKET CONDITIONS THE RESULTS OF THESE REVIEWS ARE USED TO MAKE ANY MODIFICATIONS TO THE METHODOLOGY FOR ESTIMATING THE PROVISION FOR BAD DEBTS AND ESTABLISHING THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, COVENANT HEALTHCARE FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN PAST-DUE PATIENT BALANCES WITH COLLECTION AGENCIES (FOOTNOTE 2, PAGE 10)

Identifier	ReturnReference	Explanation
SCHEDULE H, PART III, LINE 8		THE HOSPITAL REPORTED MEDICARE ALLOWABLE COST, AS REPORTED ON THE MEDICARE COST REPORT, ON WORKSHEET H, PART III, SECTION B, LINE 6 THE METHODOLOGY REMOVES NON-ALLOWABLE COST PER MEDICARE RULES AND OFFSETS OTHER OPERATING REVENUE AGAINST COST PROFESSIONAL PART B COST IS ALSO REMOVED THE COST OF SUPPORT DEPARTMENTS IS ALLOCATED TO REVENUE PRODUCING DEPARTMENTS USING THE STEP-DOWN METHODOLOGY
SCHEDULE H, PART III, LINE 9B	APPLICATION OF COLLECTION PRACTICES TO THOSE QUALIFYING FOR FINANCIAL	ASSISTANCE IT IS NOT OUR POLICY TO PURSUE COLLECTION AGAINST PATIENTS KNOWN TO QUALIFY FOR CHARITY CARE OR OTHER FINANCIAL ASSISTANCE IN CERTAIN CASES, IT MAY NOT BE EASILY DETERMINED WHETHER OR NOT A PATIENT QUALIFIES FOR CHARITY OR FINANCIAL ASSISTANCE, HOWEVER, IF AFTER COLLECTION PRACTICES HAVE BEGUN IT LATER BECOMES KNOWN THAT A PATIENT QUALIFIES, THE COLLECTION EFFORTS CEASE

Identifier	ReturnReference	Explanation
SCHEDULE H, PART V, LINE 3	INPUT FROM COMMUNITY REPRESENTATIVES	THE CHNA DATA WAS GATHERED USING THE FOUR MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS (MAPP) ASSESSMENTS COMMUNITY THEMES AND STRENGTHS, LOCAL PUBLIC HEALTH SYSTEM, COMMUNITY HEALTH STATUS, AND FORCES OF CHANGE IN AN ATTEMPT TO ACQUIRE BROAD COMMUNITY INPUT REGARDING THE HEALTH CONCERNS OF SAGINAW COUNTY RESIDENTS, INFORMATION WAS GATHERED AT VARIOUS PUBLIC MEETINGS THROUGHOUT THE COUNTY AND FROM AREA AGENCIES USING SURVEYS CONDUCTED
SCHEDULE H, PART V, LINE 4	CHNA HOSPITAL FACILITIES	THE HOSPITAL CONTRIBUTES AND PARTICIPATES IN THE SAGINAW COUNTY ROAD MAP TO HEALTH (CHNA) PARTICIPATING WITH SAGINAW COUNTY DEPARTMENT OF PUBLIC HEALTH, ST MARY'S OF MICHIGAN, HEALTH DELIVERY, INC, SAGINAW INTERMEDIATE SCHOOL DISTRICT, SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY, AND ALIGNMENT SAGINAW SCHEDULE H, PART V, LINE 20D THE MAXIMUM AMOUNT THAT CAN BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE IS THE NET OF STANDARD CHARGES LESS APPLICABLE FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 2	NEEDS ASSESSMENT	COVENANT HEALTHCARE IS A STEERING COMMITTEE MEMBER IN THE SAGINAW COUNTY HEALTH IMPROVEMENT PLAN IN 2009 WHICH COVERS 2010 THROUGH 2015 THE STEERING COMMITTEE AGENCIES ARE SAGINAW COUNTY DEPARTMENT OF PUBLIC HEALTH, COVENANT HEALTHCARE, ST MARY'S OF MICHIGAN, HEALTH DELIVERY INCORPORATED, SAGINAW INTERMEDIATE SCHOOL DISTRICT, SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY, AND ALIGNMENT SAGINAW THE SAGINAW COUNTY DEPARTMENT OF PUBLIC HEALTH, IN PARTNERSHIP WITH THE PREVENTION RESEARCH CENTER OF MICHIGAN, CREATED AND CONDUCTED AN ELECTRONIC SURVEY TO ASSESS THE COUNTY'S LOCAL PUBLIC HEALTH SYSTEM THE SURVEY FOCUSED ON THE LOCAL PUBLIC HEALTH SYSTEM DEFINED AS ALL ENTITIES THAT CONTRIBUTE TO THE DELIVERY OF PUBLIC HEALTH SERVICES WITHIN A COMMUNITY THIS SYSTEM INCLUDES ALL PUBLIC, PRIVATE, AND VOLUNTARY ENTITIES, AS WELL AS INDIVIDUALS AND INFORMAL ASSOCIATIONS THE SURVEY USED THE TEN (10) ESSENTIAL PUBLIC HEALTH SERVICES, DEVELOPED BY CDC AND NACCHO, AS THE FUNDAMENTAL FRAMEWORK FOR ASSESSING THE LOCAL PUBLIC HEALTH SYSTEM THE METHOD USED TO DEVELOP THE PLAN FOLLOWS THE NATIONAL MODEL KNOWN AS MAPP - MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS THIS MODEL WAS DEVELOPED BY THE CENTER FOR DISEASE CONTROL (CDC) AND THE NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO) THE FOUR MAPP ASSESSMENTS INCLUDED COMMUNITY THEMES AND STRENGTHS, LOCAL PUBLIC HEALTH SYSTEM, COMMUNITY HEALTH ASSESSMENT, AND FORCES OF CHANGE
SCHEDULE H, PART VI, LINE 3	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	COVENANT HEALTHCARE COMMUNICATES OUR CHARITY CARE AND FINANCIAL ASSISTANCE POLICY VIA THE COVENANT WEBSITE, A LETTER TO THE GUARANTOR IF BENEFIT ELIGIBILITY IS NOT ESTABLISHED, OR IN PERSON IF GUARANTOR INDICATES FINANCIAL NEED LITERATURE ON THIS POLICY IS ALSO AVAILABLE AT REGISTRATION AREAS

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 4	COMMUNITY INFORMATION	COVENANT HEALTHCARE IS LOCATED IN SAGINAW COUNTY AND CLOSE TO 90% OF INPATIENT DISCHARGES ARE FROM PATIENTS WITHIN THE COUNTY HOWEVER, COVENANT DOES REACH OUT INTO THE SURROUNDING COUNTIES AND HAS RELATIONSHIPS WITH SEVERAL CRITICAL ACCESS HOSPITALS IN THE REGION COVENANT CONSIDERS SIX COUNTIES (SAGINAW, BAY, MIDLAND, TUSCOLA, HURON, AND SANILAC) AS IT'S PRIMARY MARKET 14 COUNTIES IN THE REGION ARE CONSIDERED THE TOTAL SERVICE AREA COVENANT HEALTHCARE IS LOCATED IN CBSA 40980 SAGINAW-SAGINAW TOWNSHIP NORTH WITHIN SAGINAW COUNTY, MICHIGAN AS OF THE 2010 CENSUS, SAGINAW COUNTY'S POPULATION WAS 200,169 THERE WERE 80,430 HOUSEHOLDS OUT OF WHICH 32 70% HAD CHILDREN UNDER THE AGE OF 18 LIVING WITH THEM, 50 20% WERE MARRIED COUPLES LIVING TOGETHER, 15 40% HAD A FEMALE HOUSEHOLDER WITH NO HUSBAND PRESENT, AND 30 60% WERE NON-FAMILIES IN THE COUNTY, THE POPULATION WAS SPREAD OUT WITH 26 60% UNDER THE AGE OF 18, 9 00% FROM 18 TO 24, 27 60% FROM 25 TO 44, 23 20% FROM 45 TO 64, AND 13 50% WHO WERE 65 YEARS OF AGE OR OLDER THE MEDIAN AGE WAS 36 YEARS THE MEDIAN INCOME FOR A HOUSEHOLD IN THE COUNTY WAS $38,637, AND THE MEDIAN INCOME FOR A FAMILY WAS $46,494 THE PER CAPITA INCOME FOR THE COUNTY WAS $19,438 ABOUT 11 00% OF FAMILIES AND 13 90% OF THE POPULATION WERE BELOW THE POVERTY LINE, INCLUDING 20 70% OF THOSE UNDER THE AGE 18 AND 9 50% OF THOSE AGE 65 OR OVER THE JOBLESS RATE IN CALENDAR YEAR 2009 WAS 20 8% IN THE CITY OF SAGINAW, 12 5% IN SAGINAW COUNTY COMPARED TO 13 6% FOR THE STATE OF MICHIGAN AS A WHOLE
SCHEDULE H, PART VI, LINE 5	PROMOTION OF COMMUNITY HEALTH	COVENANT HEALTHCARE IS ACTIVELY INVOLVED IN COMMUNITY BUILDING INITIATIVES LEADERSHIP FROM THROUGHOUT THE ORGANIZATION HOLDS VOLUNTARY BOARD AND COMMITTEE POSITIONS IN COMMUNITY GROUPS AND ORGANIZATIONS FOCUSED ON IMPROVING THE QUALITY OF LIFE IN THE REGION, PARTICULARLY AROUND ISSUES OF COMMUNITY HEALTH ADDITIONALLY, THE ORGANIZATION CONDUCTS COMMUNITY OUTREACH AND SCREENING ACTIVITIES IN THE VARIOUS COMMUNITIES IN OUR REGION TO IMPACT HEALTH IN SUCH WAYS AS TO EARLY DISEASE DETECTION TO TRAUMA PREVENTION UNDER DIRECTION OF A VOLUNTEER COMMUNITY BOARD, COVENANT HEALTHCARE IS AN INTEGRAL PART OF THE COMMUNITIES IT SERVES THE COVENANT VISION IS TO CONSISTENTLY DELIVER ON A PROMISE OF CARING AND A COMMITMENT TO SERVICE GUIDED BY A SEPARATE VOLUNTEER BOARD, THE COVENANT HEALTHCARE FOUNDATION ASSISTS THE MEDICAL CENTER IN CARRYING OUT ITS SERVICE MISSION THROUGH THE ACQUISITION OF PHILANTHROPIC FUNDS TO SERVE AS A PRIME RESOURCE IN THE DELIVERY OF CARE TO THOSE COVENANT HEALTHCARE SERVICES

Identifier	ReturnReference	Explanation
SCHEDULE H, PART VI, LINE 6	AFFILIATED HEALTH CARE SYSTEM	COVENANT MEDICAL CENTER IS A PART OF THE COVENANT HEALTH SYSTEM (DOING BUSINESS AS COVENANT HEALTHCARE) COVENANT HEALTHCARE IS A NON-PROFIT HEALTH SYSTEM THAT OFFERS A BROAD SPECTRUM OF PROGRAMS AND SERVICES RANGING FROM HIGH RISK OBSTETRICS, NEONATAL AND PEDIATRIC INTENSIVE CARE, TO ACUTE CARE INCLUDING A LEVEL II ADULT AND PEDIATRIC TRAUMA CENTER, CARDIOLOGY, ONCOLOGY, ORTHOPEDICS, ROBOTIC SURGERY AND MANY OTHER SERVICES ON THE LEADING EDGE OF MEDICINE ALL PROGRAMS AND SERVICES EXEMPLIFY THE COVENANT COMMITMENT TO PROVIDING EXTRAORDINARY CARE FOR EVERY GENERATION AS A MEDICAL FACILITY WITH 623 ACUTE CARE LICENSED BEDS, AND A COMPLETE RANGE OF MEDICAL SERVICES, COVENANT HEALTHCARE STANDS READY TO MEET THE HEALTH CARE NEEDS OF EAST CENTRAL MICHIGAN WITH MORE THAN 20 INPATIENT AND OUTPATIENT FACILITIES AND A TRAUMA/EMERGENCY DEPARTMENT THAT PROVIDES 85,000 VISITS PER YEAR, COVENANT HEALTHCARE OFFERS CONVENIENCE AND EASY ACCESS TO HIGH QUALITY CARE THROUGHOUT THE REGION SCHEDULE H, PART VI, LINE 7, STATE FILING STATE FILING OF COMMUNITY BENEFIT REPORT MICHIGAN

Additional Data

Software ID:
Software Version:
EIN: 38-3369438
Name: Covenant Medical Center Inc

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?
28

Name and address	Type of Facility (describe)
IRVING CAMPUS 600 IRVING AVE SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
HOUGHTON CAMPUS 1000 HOUGHTON AVE SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
DR CASTILLO 6614 DIXIE HWY BRIDEGEPORT TOWNSHIP,MI 48722	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
MED EXPRESS BAY CITYBAY PRIMARY CARE 2997 WILDER RD BAY CITY,MI 48706	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
MED EXPRESSBREAST IMAGING 5570 STATE STREET SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
COVENANT POB 800 COOPER AVE SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
COVENANT BREAST IMAGINGMED EXPRESSPRIM 600 N MAIN ST FRANKENMUTH,MI 48734	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
DR EASTONLAB 8767 GRATIOT RD SAGINAW,MI 48609	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
VNA 500 S HAMILTON ST SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
HEMLOCK FAMILY MEDICINEMED EXPRESS 16440 GRATIOT RD HEMLOCK,MI 48626	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
VASSAR PRIMARY CARE 201 W HURON AVE VASSAR,MI 48768	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
FREELAND PRIMARY CARE 7362 MIDLAND RD FREELAND,MI 48623	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
SIBM 3875 BAY ROAD 2S SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
VNA CARTWRIGHT CENTER 3443 HOSPITAL RD SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
SAGINAW TWP FAMILY PRACTICE 3875 BAY RD SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
SILVERWOOD FAMILY MEDICINE 3037 SILVERWOOD DR SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
COVENANT PHYSIATRY 3350 SHATTUCK RD SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
MACKINAW CAMPUS 5400 MACKINAW RD SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
ECC 900 COOPER AVE SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
DR JOHNSON 1430 N CENTER RD SAGINAW,MI 48602	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
GRATIOT FAMILY PRACTICE 1910 PINE AVE ALMA,MI 48801	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
COVENANT OCC HEALTH 1549 WASHINGTON ST MIDLAND,MI 48640	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
CENTER FOR THE HEART 4884 BERL DR SAGINAW,MI 48604	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
WEST BRANCH PRIMARY CARE 335 E HOUGHTON AVE WEST BRANCH,MI 48661	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
BIRCH RUN PRIMARY CARE 8470 MAIN ST BIRCH RUN,MI 48415	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
SAGINAW VALLEY PRIMARY CAREMED EXPRESS 2970 PIERCE RD SAGINAW,MI 48604	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
DR DE BEAUBIEN 4701 TOWNE CENTRE RD SAGINAW,MI 48604	PM&R, OCC HEALTH, EMPLOYEE WELLNESS
SEBEWAING PRIMARY CARE 616 UNIONVILLE RD SEBEWAING,MI 48759	PM&R, OCC HEALTH, EMPLOYEE WELLNESS

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☑ Compensation committee	☐ Written employment contract		
	☐ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or 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
Supplemental Compensation Information	SOCIAL CLUB AND HEALTH CLUB DUES	SCHEDULE J, PART I, LINE 1A OFFICERS OF COVENANT MEDICAL CENTER GET HEALTH AND SOCIAL CLUB DUES PAID AND INCLUDED AS TAXABLE INCOME
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B	THE ORGANIZATION MAINTAINS A NONQUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP) FOR CERTAIN OF ITS EXECUTIVES THE SERP HAS BEEN ESTABLISHED FOR THESE EXECUTIVES BY THE ORGANIZATION, FOLLOWING APPROPRIATE BOARD LEVEL REVIEW IN A MANNER INTENDED TO COMPLY WITH THE REBUTTABLE PRESUMPTION OF REASONABLENESS PROVISION UNDER IRC SECTION 4958 SPENCER MAIDLOW - $21,371 MARK GRONDA - $172,076 EDWARD BRUFF - $288,148 CAROL STOLL - $102,221 JOHN KOSANOVICH - $249,344 DANIEL GEORGE - $52,124 TIM WENZEL - $151,099 THE FOLLOWING SERP AMOUNTS ARE CURRENTLY TAXABLE TO THE INDIVIDUALS LISTED AND HAVE BEEN INCLUDED IN SCHEDULE J, PART II, COLUMN B(III) SPENCER MAIDLOW - $951,340 DANIEL GEORGE - $208,951 TIM WENZEL - $437,517

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 38-3369438
Name: Covenant Medical Center Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
SPENCER MAIDLOW	(I)	738,616	247,112	987,807	32,821	13,012	2,019,368	457,091
	(II)	0	0	0	0	0	0	0
MARK GRONDA	(I)	400,952	127,789	0	183,526	13,292	725,559	0
	(II)	0	0	0	0	0	0	0
EDWARD BRUFF	(I)	470,546	147,246	20,530	299,598	13,292	951,212	0
	(II)	0	0	0	0	0	0	0
CAROL STOLL	(I)	245,890	78,540	5,580	113,671	6,312	449,993	0
	(II)	0	0	0	0	0	0	0
DR JOHN KOSANOVICH	(I)	380,650	124,100	10,705	259,519	13,251	788,225	0
	(II)	0	0	0	0	0	0	0
DANIEL GEORGE	(I)	243,064	76,316	208,951	61,024	0	589,355	141,432
	(II)	0	0	0	0	0	0	0
TIM WENZEL	(I)	223,939	67,392	437,517	162,549	13,292	904,689	111,004
	(II)	0	0	0	0	0	0	0
DR Anthony DeBari	(I)	736,187	97,971	2,322	0	0	836,480	0
	(II)	0	0	0	0	0	0	0
DR Umesh Badami	(I)	667,381	142,629	2,322	0	0	812,332	0
	(II)	0	0	0	0	0	0	0
DR Scott Martin	(I)	538,752	176,880	540	0	0	716,172	0
	(II)	0	0	0	0	0	0	0
Stacy Goldsholl	(I)	387,464	224,400	0	0	13,048	624,912	0
	(II)	0	0	0	0	0	0	0
Firas Alani	(I)	651,633	54,167	540	0	0	706,340	0
	(II)	0	0	0	0	0	0	0
Manoj Sharma	(I)	595,161	101,147	1,242	0	0	697,550	0
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF SAGINAW HOSP FIN AUTH	38-6004647	786744GX4	04-07-2004	39,343,085	RETIRE 8/15/1991 BONDS		X		X		X
B	CITY OF SAGINAW HOSP FIN AUTH	38-6004647	786744HJ4	10-28-2010	76,448,883	RETIRE 7/7/99 AND 7/12/00 BONDS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0	0		
2	Amount of bonds legally defeased	0	0		
3	Total proceeds of issue	39,985,810	76,458,097		
4	Gross proceeds in reserve funds	3,743,952	0		
5	Capitalized interest from proceeds	640,542	0		
6	Proceeds in refunding escrows	0	0		
7	Issuance costs from proceeds	494,736	423,626		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	0	0		
11	Other spent proceeds	35,104,849	76,034,471		
12	Other unspent proceeds	0	0		
13	Year of substantial completion	2004	2010		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?								
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0%		0%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?								
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?								

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X			X				
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X					
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X				
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b	Name of provider	0		0					
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	X			X				
b	Name of provider	LEHMAN BROS SFI		0					
c	Term of GIC		32						
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X					

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation
INVESTMENT AMOUNTS INCLUDED IN PROCEEDS	0	SCHEDULE K, PART II, LINE 3 COLUMN A BOND 2004G - $39,985,810 - INCLUDES SALE PROCEEDS OF $39,343,095 PLUS THE DEBT SERVICE RESERVE FUND EARNINGS OF $642,715 COLUMN B BOND 2010 H - $76,458,097 - INCLUDES SALE PROCEEDS OF $76,448,883 PLUS ESCROW ACCOUNT EARNINGS $9,214

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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) DR JAMIE ROSS	FAMILY OF BOARD MEMBER	323,125	REPORTABLE COMPENSATION		No
(2) DR T DAMUTH	FAMILY OF BOARD MEMBER	110,240	REPORTABLE COMPENSATION		No
(3) MARY PICKELMAN	FAMILY OF BOARD MEMBER	43,618	REPORTABLE COMPENSATION		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
SCH L PART IV, COL C	FEES FOR SERVICES	FEES FOR ALL SERVICES ARE AT ARM'S LENGTH MARKET RATES AND ARE CONTRACTED IN ACCORDANCE WITH THE HOSPITAL'S CONFLICT OF INTEREST POLICY

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Covenant Medical Center Inc

Employer identification number
38-3369438

Part I Types of Property

		(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (EQUIP (SUPPORTING ORG))	X	1	305,135	FMV
26	Other ▶( )				
27	Other ▶( )				
28	Other ▶ ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . **29**

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31		No
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II **Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

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
Covenant Medical Center Inc

Employer identification number
38-3369438

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	Form 990, Part VI, Line 6	

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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
Covenant Medical Center Inc

Employer identification number
38-3369438

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) COVENANT MEDICAL OFFICE II LLC 1447 N HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	NA
(2) COVENANT MACKINAW OFFICE LLC 1447 N HARRISON SAGINAW, MI 48602	INACTIVE	MI	0	0	NA
(3) J&F HOLDINGS 1447 N HARRISON SAGINAW, MI 48602 38-2640101	INACTIVE	MI	0	0	NA

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
(1) COVENANT HEALTHCARE FOUNDATION 1447 N HARRISON SAGINAW, MI 48602 38-2572154	SUPPORT	MI	501(c)(3)	11 TYPE III	CHS	Yes	
(2) VISITING NURSE SPECIAL SERVICES 502 S HAMILTON SAGINAW, MI 48602 38-2762248	NURSE VISITS	MI	501(c)(3)	9	CHS	Yes	
(3) COVENANT HEALTHCARE SYSTEM 1447 N HARRISON SAGINAW, MI 48602 38-3369443	HEALTHCARE	MI	501(c)(3)	11 TYPE II	NA		No
(4) VISITING NURSE ASSOCIATION OF SAGINAW 500 S HAMILTON SAGINAW, MI 48602 45-4929618	HOME CARE	MI	501(C)(3)	3	CHS	Yes	

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

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

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	(i) No
(1) COVENANT DEVELOPMENT CORPORATION 1447 N HARRISON SAGINAW, MI 48602 38-2640101	HEALTH SERVICES	MI	CHS	C Corp				Yes	
(2) COVENANT MEDICAL CTR OFFICE CONDO ASSOCI 1447 N HARRISON SAGINAW, MI 48602 37-1477767	CONDOMINIUM	MI	NA	C Corp	0	0	98 740 %	Yes	
(3) COVENANT HLTH MACKINAW FACTY CONDO ASSOC 1447 N HARRISON SAGINAW, MI 48602 45-3327179	CONDOMINIUM	MI	NA	C Corp	236,275	336,273	81 480 %	Yes	
(4) COVENANT SERVICES CORP 1447 N HARRISON SAGINAW, MI 48602	HEALTHCARE	MI	CHS	C Corp				Yes	

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		No
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		
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		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p		No
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		No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) COVENANT HEALTHCARE FOUNDATION	C	305,135	FMV
(2) COVENANT HEALTHCARE FOUNDATION	O	460,944	FMV
(3) COVENANT HEALTHCARE FOUNDATION	Q	985,935	FMV
(4) VISITING NURSE ASSOCIATION	R	448,675	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	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 38-3369438
Name: Covenant Medical Center Inc

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	

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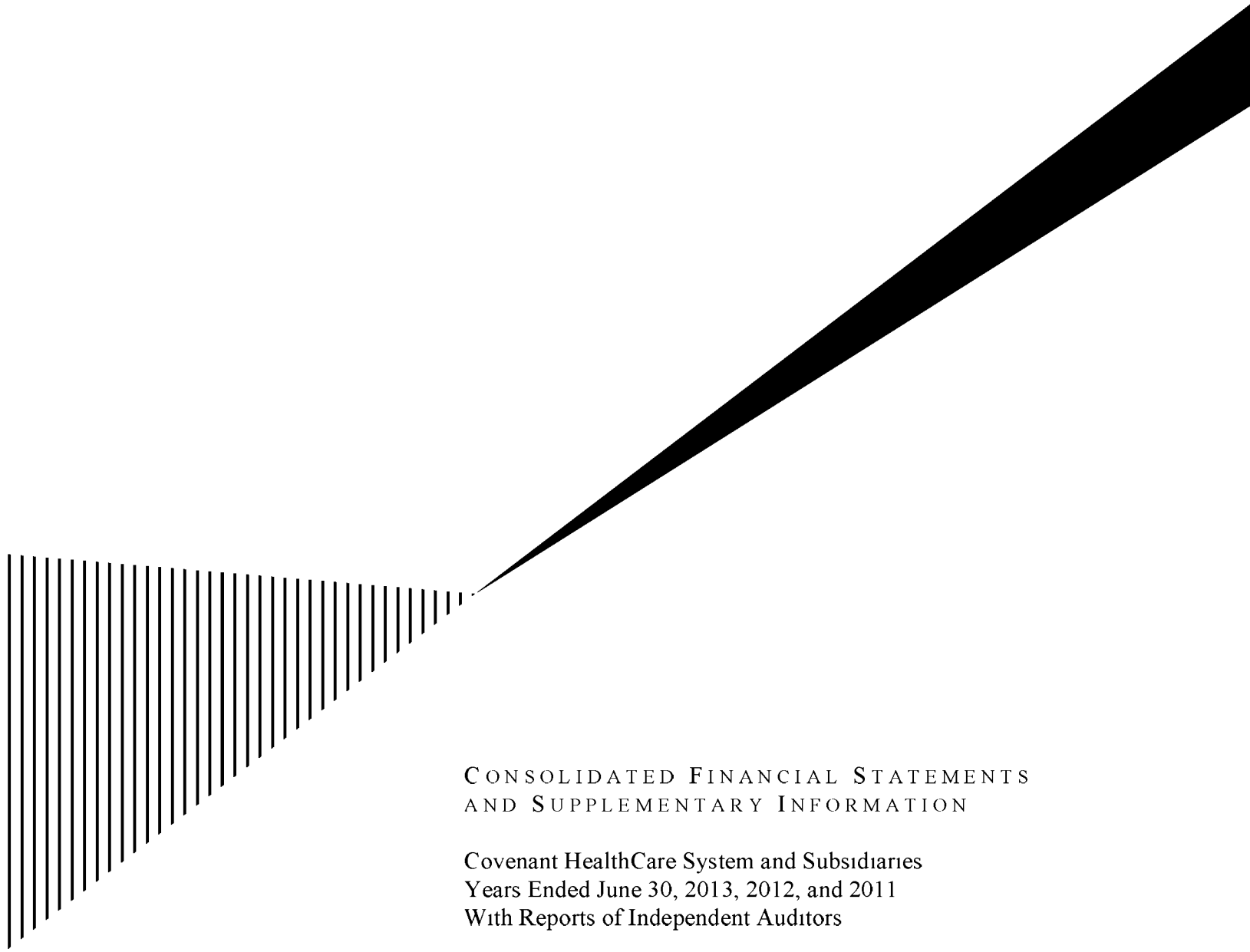

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Covenant HealthCare System and Subsidiaries
Years Ended June 30, 2013, 2012, and 2011
With Reports of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Covenant HealthCare System and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013, 2012, and 2011

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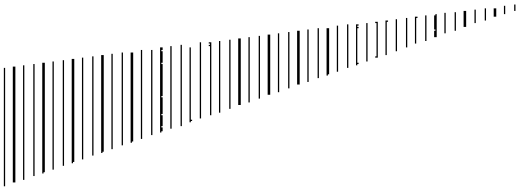

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Report of Independent Auditors

The Board of Directors and Management
Covenant HealthCare System

We have audited the accompanying consolidated financial statements of Covenant HealthCare System and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2013, 2012, and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant HealthCare System and subsidiaries at June 30, 2013, 2012, and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

Ernst & Young LLP

October 25, 2013

Covenant HealthCare System and Subsidiaries

Consolidated Balance Sheets

	June 30		
	2013	**2012**	**2011**
	(In Thousands)		
Assets			
Current assets			
Cash and cash equivalents *(Notes 4 and 5)*	**$ 28,646**	$ 13,477	$ 13,374
Net patient accounts receivable *(Note 3)*	**48,538**	51,065	49,787
Estimated third-party receivable	**3,208**	2,217	320
Current portion of funds held under bond agreements	**6,263**	6,145	6,351
Inventories	**12,388**	11,433	11,990
Prepaid expenses and other	**16,480**	19,055	18,738
Total current assets	**115,523**	103,392	100,560
Assets whose use is limited, less current portion *(Notes 4 and 5)*			
Funds held under bond agreements, less current portion	**3,752**	3,750	3,750
Temporarily or permanently restricted assets	**7,473**	6,389	6,097
Professional liability fund	**5,744**	10,057	14,041
	16,969	20,196	23,888
Other assets			
Investments *(Notes 4 and 5)*	**266,422**	236,994	229,677
Investments in unconsolidated affiliates *(Note 11)*	**13,523**	12,692	9,809
Other	**15,481**	16,699	20,690
	295,426	266,385	260,176
Property and equipment *(Note 6)*	**167,954**	175,622	175,026
Total assets	**$ 595,872**	$ 565,595	$ 559,650

	June 30		
	2013	**2012**	**2011**
	(In Thousands)		
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued expenses	**$ 19,347**	$ 16,872	$ 15,845
Estimated third-party payable	**9,900**	7,721	6,865
Accrued compensation and related amounts	**26,452**	26,212	24,634
Accrued interest payable and other current liabilities	**5,829**	6,404	8,022
Current portion of long-term debt *(Notes 5 and 7)*	**5,630**	9,134	4,910
Total current liabilities	**67,158**	66,343	60,276
Noncurrent liabilities			
Long-term debt, less current portion *(Notes 5 and 7)*	**99,001**	101,101	110,384
Accrued postretirement obligation *(Note 10)*	**31,410**	33,145	32,158
Accrued pension obligation *(Note 9)*	**64,696**	94,735	77,638
Other noncurrent liabilities	**31,207**	32,984	33,690
Total noncurrent liabilities	**226,314**	261,965	253,870
Total liabilities	**293,472**	328,308	314,146
Net assets			
Unrestricted	**294,927**	230,898	239,407
Temporarily restricted	**6,804**	5,720	5,428
Permanently restricted	**669**	669	669
Total net assets	**302,400**	237,287	245,504
Total liabilities and net assets	**$ 595,872**	$ 565,595	$ 559,650

See accompanying notes.

Covenant HealthCare System and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30		
	2013	**2012**	**2011**
	(In Thousands)		
Unrestricted revenue			
Patient service revenue	**$ 519,843**	$ 512,800	$ 497,694
Less provision for doubtful accounts	**(37,236)**	(34,309)	(33,109)
Net patient service revenue	**482,607**	478,491	464,585
Investment income	**143**	246	296
Realized gains	**787**	197	1,283
Other revenue	**25,413**	27,515	21,357
Total unrestricted revenue	**508,950**	506,449	487,521
Expenses			
Salaries and wages	**218,903**	214,924	205,339
Benefits	**57,217**	56,471	55,898
Professional fees	**8,818**	6,528	5,934
Supplies	**102,382**	103,106	97,927
Other purchased services	**52,034**	53,047	46,000
Other	**10,368**	7,814	7,625
Utilities	**6,359**	6,038	6,032
Insurance	**6,057**	9,010	6,786
Interest	**4,689**	5,117	5,777
Depreciation and amortization	**29,005**	29,332	27,615
Total expenses	**495,832**	491,387	464,933
Income from operations	**13,118**	15,062	22,588
Nonoperating gains (losses)			
Investment income	**5,775**	5,337	3,094
Realized and unrealized net gains on investments	**13,624**	4,253	13,001
Loss on refunding of long-term debt	**–**	–	(2,221)
Other nonoperating gains (losses)	**308**	194	(672)
	19,707	9,784	13,202
Excess of revenue over expenses	**32,825**	24,846	35,790

Covenant HealthCare System and Subsidiaries

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

	Year Ended June 30		
	2013	**2012**	**2011**
	(In Thousands)		
Unrestricted net assets			
Excess of revenue over expenses	**$ 32,825**	$ 24,846	$ 35,790
Change in unrealized appreciation (depreciation) in fair value of investments *(Note 4)*	**5,791**	(6,728)	18,585
Pension and other postretirement benefit obligation adjustment	**25,413**	(26,981)	45,090
Other	**–**	219	38
Net assets released from restrictions for capital additions	**–**	135	549
Increase (decrease) increase in unrestricted net assets	**64,029**	(8,509)	100,052
Temporarily restricted net assets			
Contributions	**1,223**	858	983
Investment income	**514**	215	308
Change in unrealized appreciation in fair value of investments *(Note 4)*	**(113)**	(215)	528
Net assets released from restrictions for operating purposes	**(540)**	(431)	(197)
Net assets released from restrictions for capital additions	**–**	(135)	(549)
Increase in temporarily restricted net assets	**1,084**	292	1,073
Increase (decrease) in net assets	**65,113**	(8,217)	101,125
Net assets at beginning of year	**237,287**	245,504	144,379
Net assets at end of year	**$ 302,400**	$ 237,287	$ 245,504

See accompanying notes.

Covenant HealthCare System and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30		
	2013	**2012**	**2011**
	(In Thousands)		
Operating activities			
Increase (decrease) in net assets	**$ 65,113**	$ (8,217)	$ 101,125
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities			
Depreciation and amortization	**29,005**	29,332	27,615
Provision for uncollectible accounts	**37,236**	34,309	33,109
Change in unrealized appreciation in fair value of investments	**(5,678)**	6,943	(19,113)
Pension obligation adjustment	**(25,413)**	26,981	(45,090)
Restricted contributions and investment income	**(1,737)**	(1,073)	(1,291)
Increase in accounts receivable	**(34,709)**	(35,587)	(30,731)
Decrease (increase) in inventories and other current assets	**1,620**	240	(14,688)
Decrease in accrued pension and postretirement benefits	**(6,361)**	(8,897)	(9,696)
Increase in accounts payable and accrued liabilities	**2,140**	987	3,754
Increase (decrease) in estimated third-party receivable/payable	**1,188**	(1,041)	(3,522)
(Decrease) increase in other noncurrent liabilities	**(1,777)**	(706)	1,866
Net cash provided by operating activities	**60,627**	43,271	43,338
Investing activities			
Additions to property and equipment	**(21,337)**	(30,046)	(27,085)
(Increase) decrease in assets whose use is limited	**(120)**	206	3,682
Increase (decrease) increase in professional liability fund	**4,313**	3,984	(713)
Increase in investments	**(23,750)**	(14,260)	(15,435)
Decrease (increase) in other assets	**387**	1,077	(1,448)
Change in restricted net assets	**(1,084)**	(292)	(1,073)
Net cash used in investing activities	**(41,591)**	(39,331)	(42,072)
Financing activities			
Repayments of long-term debt	**(3,764)**	(3,070)	(81,009)
Issuance of long-term debt	**–**	–	76,449
Issuance (repayments) of note payable	**(1,840)**	(1,840)	(1,840)
Restricted contributions and investment income	**1,737**	1,073	1,291
Net cash used in financing activities	**(3,867)**	(3,837)	(5,109)
Increase (decrease) in cash and cash equivalents	**15,169**	103	(3,843)
Cash and cash equivalents at beginning of year	**13,477**	13,374	17,217
Cash and cash equivalents at end of year	**$ 28,646**	$ 13,477	$ 13,374

See accompanying notes

Covenant HealthCare System and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

June 30, 2013

1. Organization and Mission

Organization

Covenant HealthCare System (Covenant HealthCare or Covenant) is the sole corporate member of Covenant Medical Center, Inc (Medical Center), Covenant HealthCare Foundation (CHF), Covenant Development Corporation (CDC), and Visiting Nurse Special Services (VNSS)

Mission

Covenant HealthCare is organized exclusively for charitable, scientific, and educational purposes CDC is a for-profit corporation organized to further the health care services and needs of Covenant HealthCare Covenant HealthCare and its subsidiaries provide health care services to Saginaw County and surrounding areas

2. Significant Accounting Policies

Principles of Consolidation

All majority-owned corporations for which operating control is present are consolidated All significant intercompany account balances and transactions have been eliminated in consolidation Investments in entities where Covenant HealthCare owns 50% or less of an entity but has significant influence over the operating and financial policies are recorded under the equity method of accounting

Cash and Cash Equivalents

Covenant HealthCare considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents

Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximates fair value The fair values of other financial instruments are disclosed in the appropriate footnotes

2. Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values, investments in common trust funds that invest in marketable equity securities, and all investments in debt securities are measured at fair value using quoted market prices The realized gains and losses on investments are the difference between the proceeds received and the cost determined using the average method of investment valuation

Unrealized gains and losses on unrestricted investments considered available for sale and determined to be temporary are recorded as an addition to or deduction from unrestricted net assets

Covenant's management continually evaluates the available-for-sale investment portfolio and evaluates whether declines in fair values should be considered other than temporary Factored into this evaluation are general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendations of advisors, and length of time and extent to which the market value has been at less than cost

Covenant HealthCare has investments in certain limited partnerships, including private equity investments, real estate investments, and hedge funds, which are reported using the equity method of accounting The estimated fair value of the investments in limited partnerships is based on the net asset value provided by the investment managers at June 30, 2013, 2012, and 2011 The components of the individual investments within these funds may not be readily determinable Because private equity investments, real estate partnerships, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed Such a difference could be material Covenant HealthCare's recorded balance reflects net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses. Covenant's risk is limited to its carrying value. Alternative investments can be divested only at specific times in accordance with terms of the partnership agreements The financial statements of the limited partnerships are audited annually

Investments in unconsolidated entities where Covenant HealthCare does not have operating control are recorded using the equity or cost method of accounting

2. Significant Accounting Policies (continued)

Patient Service Revenues and Receivables

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated settlements are recorded in the period related services are rendered and adjusted in future periods as final settlements are determined Management believes that adequate provision has been made in the consolidated financial statements for any adjustments that may result upon final settlement.

The majority of Covenant HealthCare's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross and Blue Shield of Michigan) Under these provisions, payment rates for patient care are determined prospectively on various bases, and Covenant HealthCare's revenues are limited to such amounts Payments are also received for Covenant HealthCare's capital and medical education costs, subject to certain limits. In addition, Covenant HealthCare enters into agreements with commercial insurance carriers, certain health maintenance organizations, and preferred provider organizations The basis for payment under these agreements includes prospectively determined per diem rates and discounts from established charges

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and possible exclusion from the Medicare and Medicaid programs

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience and current market conditions The results of these reviews are used to make any modifications to the methodology for estimating the provision for bad debts and establishing the allowance for uncollectible receivables After satisfaction of amounts due from insurance, Covenant HealthCare follows established guidelines for placing certain past-due patient balances with collection agencies

2. Significant Accounting Policies (continued)

For patient receivables associated with self-pay patients, including patients with deductible and copayment balances for which third-party coverage provides for a portion of the services provided, Covenant records an estimated provision for uncollectible accounts in the year of service Covenant has experienced an increase in the provision for uncollectible accounts as a result of high unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances The allowance for self-pay accounts receivable increased from 54% at June 30, 2012, to 56% at June 30, 2013 Covenant does not maintain a material allowance for uncollectible accounts from third-party payors.

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt, implement, and demonstrate meaningfully use of certified electronic health record (EHR) technology. Covenant has adopted the grant accounting model to recognize these payments as revenue Under this accounting policy, EHR incentive payments are recognized as revenue as management completes attestations as to adopting, implementing, and demonstrating meaningful use of certified EHR technology During the years ended June 30, 2013, 2012, and 2011, Covenant recognized as other operating revenue $2,633, $5,588, and $3,006 of incentive payments, respectively Covenant has incurred and will continue to incur both capital costs and operating expenses in order to implement certified EHR technology and meet meaningful use requirements. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use The timing of recognizing the expenses will not correlate with the receipt of incentive payments and recognition of revenue There can also be no assurance that Covenant will be able to continue to demonstrate meaningful use of certified EHR technology in subsequent years

EHR incentive payments are subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, Covenant's compliance with meaningful use criteria is subject to audit by the federal government

Inventories

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out basis

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment, including amounts under capital lease and internal use software, are stated at cost or estimated fair value at the date of donation and are depreciated using the straight-line method over their estimated useful lives Estimated useful lives by asset category are as follows land improvements – 2 to 25 years, buildings – 20 to 40 years, equipment – 3 to 20 years, and internal use software – 10 years

Costs incurred in connection with the development and implementation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage Amounts capitalized are amortized over the useful life of the developed asset following project completion Capitalized costs, net of amortization, amounted to $12,146, $13,739, and $5,345 at June 30, 2013, 2012, and 2011, respectively Amortization expense of $1,593, $985, and $577 was recognized in the years ended June 30, 2013, 2012, and 2011.

Amortization

Bond issuance costs and bond discounts are amortized ratably over the term of the related debt issues

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific purpose, such as capital additions or research When a donor restriction expires, such as through expenditure for the restricted purpose, temporarily restricted net assets are reclassified as net assets released from restrictions for operating purposes and are included in unrestricted revenue, whereas net assets released from restrictions for long-lived assets are reported as another increase in unrestricted net assets. Pledges are recorded as increases in net assets when the pledge is made

Permanently restricted net assets are assets for which the donor has stipulated that the principal remains intact

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

Covenant's mission is to provide excellence in care, healing, and health to the individuals and communities it serves To achieve this mission, Covenant meets the needs of individuals and the communities in its service area through a complement of general and specialized health care services, including inpatient acute care, outpatient services, home health care, and other health care services Activities directly associated with the fulfillment of the mission are considered to be operating activities. Other activities not central to Covenant's primary mission are considered to be nonoperating

Excess of Revenue Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue over expenses Changes in unrestricted net assets, which are excluded from the excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on non-trading investments, contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were used for the purposes of acquiring such assets), and pension and other postretirement benefit obligation adjustments

Charity Care

Covenant HealthCare provides health care services free of charge or at reduced rates to individuals who meet certain eligibility criteria, based on published income poverty guidelines Charity care may also be provided to other patients at the discretion of management Covenant computes the cost of charity care using a cost-to-charge ratio methodology, which includes all direct and indirect costs

Use of Estimates

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

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Income Taxes

Covenant HealthCare and its subsidiaries, except for CDC, are Michigan nonprofit corporations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code CDC is a Michigan for-profit corporation

Reclassifications

Certain 2012 and 2011 amounts have been reclassified to conform with the 2013 presentation

3. Net Patient Accounts Receivable and Net Patient Service Revenue

Net patient accounts receivable are summarized as follows

	June 30		
	2013	**2012**	**2011**
Net patient accounts receivable.			
Gross patient accounts receivable	**$ 191,433**	$ 198,166	$ 191,105
Allowances and advances under contractual arrangements	**(111,189)**	(116,350)	(110,246)
Allowance for uncollectible accounts	**(31,706)**	(30,751)	(31,072)
	$ 48,538	$ 51,065	$ 49,787

Patient service revenue excludes charity care adjustments of $8,523 in 2013, $7,868 in 2012, and $8,920 in 2011 The amount of charity care provided, determined on the basis of cost, was $3,215, $2,986, and $3,111 for the years ended June 30, 2013, 2012, and 2011, respectively

Covenant HealthCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements Significant concentrations of accounts receivable at June 30, 2013, 2012, and 2011, include net amounts due from Medicare (45%, 42%, and 38%, respectively), Medicaid (9%, 12%, and 14%, respectively), Blue Cross (16%, 23%, and 21%, respectively), and other payors (30%, 23%, and 27%, respectively)

(Dollars in Thousands)

3. Net Patient Accounts Receivable and Net Patient Service Revenue (continued)

Net patient service revenue consists of the following.

	Year Ended June 30		
	2013	**2012**	**2011**
Gross patient service revenue	**$ 1,497,952**	$ 1,437,693	$ 1,349,027
Less contractual provisions and adjustments	**978,109**	924,893	851,333
Net patient service revenue	**$ 519,843**	$ 512,800	$ 497,694

Net patient service revenue for the years ended June 30, 2013, 2012, and 2011, included amounts from Medicare (44%, 44%, and 44%, respectively), Medicaid (15%, 14%, and 16%, respectively), and Blue Cross (19%, 21%, and 21%, respectively) programs

The excess of revenue over expenses includes $2,200, $4,803, and $(800) related to prior year third-party settlement estimates, which have been recorded as an increase (decrease) in net patient service revenue for the years ended June 30, 2013, 2012, and 2011, respectively

4. Investments

Investments, including cash and cash equivalents, are summarized at fair value as follows.

	June 30		
	2013	**2012**	**2011**
Cash and cash equivalents	**$ 44,437**	$ 27,302	$ 31,156
Marketable equity securities	**650**	485	466
Fixed income mutual funds	**52,792**	48,159	39,908
Publicly traded mutual funds	**142,208**	117,390	114,247
Common trust funds	**23,978**	24,852	28,647
Limited partnerships	**19,050**	18,256	16,978
Hedge funds	**35,185**	40,368	41,888
	$ 318,300	$ 276,812	$ 273,290

(Dollars in Thousands)

4. Investments (continued)

Investment return is summarized as follows.

	Year Ended June 30		
	2013	**2012**	**2011**
Interest and dividends	**$ 6,432**	$ 5,798	$ 3,698
Net realized gains	**14,411**	4,450	14,284
Change in unrealized gains and losses	**5,678**	(6,943)	19,113
Total investment return	**$ 26,521**	$ 3,305	$ 37,095
Included in operating income	**$ 930**	$ 443	$ 1,579
Included in nonoperating gains	**19,399**	9,590	16,095
Reported separately as change in unrestricted net assets	**5,791**	(6,728)	18,585
Change in temporarily restricted net assets	**401**	–	836
Total investment return	**$ 26,521**	$ 3,305	$ 37,095

Covenant invests in various financial instruments that are publicly and privately traded Financial instruments are exposed to various risks such as interest rate, market, and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of operations and changes in net assets

The gross unrealized gains (losses) on marketable equity securities were $17,927 and $(1,867), respectively, at June 30, 2013, $12,965 and $(1,303), respectively, at June 30, 2012, and $21,173 and $0, respectively, at June 30, 2011.

(Dollars in Thousands)

4. Investments (continued)

The following schedules summarize the fair value of available-for-sale investments that have gross unrealized losses (the amount by which historical cost exceeds fair value) as of June 30, 2013 and 2012 The schedules further segregate the securities that have been in a gross unrealized loss position as of June 30, 2013 and 2012, for less than 12 months and those for 12 months or longer. As of June 30, 2011, Covenant did not have any securities in a loss position Covenant has the ability and intent to hold investments that are in a loss position until a recovery of fair value occurs

	June 30, 2013					
	Less Than 12 Months		12 Months or Longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments with unrealized losses						
Fixed income mutual funds	$ 8,225	$ (155)	$ –	$ –	$ 8,225	$ (155)
Publicly traded mutual funds	75,159	(1,712)	–	–	75,159	(1,712)
Total investments in loss position	$ 83,384	$ (1,867)	$ –	$ –	$ 83,384	$ (1,867)

	June 30, 2012					
	Less Than 12 Months		12 Months or Longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investments with unrealized losses						
Fixed income mutual funds	$ 7,496	$ (187)	$ –	$ –	$ 7,496	$ (187)
Publicly traded mutual funds	70,275	(1,116)	–	–	70,275	(1,116)
Total investments in loss position	$ 77,771	$ (1,303)	$ –	$ –	$ 77,771	$ (1,303)

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

(Dollars in Thousands)

4. Investments (continued)

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement

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

The following tables present the financial instruments carried at fair value by caption on the consolidated balance sheets by the ASC 820 valuation hierarchy defined above

	June 30, 2013			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value at June 30, 2013**
Assets				
Cash and cash equivalents	**$ 44,437**	**$ –**	**$ –**	**$ 44,437**
Common stocks.				
U.S companies	**650**	**–**	**–**	**650**
Mutual funds				
U.S large-cap	**69,068**	**–**	**–**	**69,068**
Fixed income	**52,792**	**–**	**–**	**52,792**
International fixed income	**8,225**	**–**	**–**	**8,225**
International companies	**45,950**	**–**	**–**	**45,950**
Real estate	**18,965**	**–**	**–**	**18,965**
Total assets at fair value	**$ 240,087**	**$ –**	**$ –**	**$ 240,087**

(Dollars in Thousands)

4. Investments (continued)

	June 30, 2012			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value at June 30, 2012**
Assets				
Cash and cash equivalents	$ 27,302	$ –	$ –	$ 27,302
Common stocks				
U.S companies	485	–	–	485
Mutual funds				
U.S large-cap	57,668	–	–	57,668
Fixed income	48,159	–	–	48,159
International fixed income	7,496	–	–	7,496
International companies	39,587	–	–	39,587
Real estate	12,639	–	–	12,639
Total assets at fair value	$ 193,336	$ –	$ –	$ 193,336

(Dollars in Thousands)

4. Investments (continued)

	June 30, 2011			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value at June 30, 2011**
Assets				
Cash and cash equivalents	$ 31,156	$ –	$ –	$ 31,156
Common stocks				
U.S companies	466	–	–	466
Mutual funds				
U.S large-cap	54,258	–	–	54,258
Fixed income	39,908	–	–	39,908
International fixed income	7,321	–	–	7,321
International companies	37,324	–	–	37,324
Real estate	15,344	–	–	15,344
Total assets at fair value	$ 185,777	$ –	$ –	$ 185,777

Following is a description of Covenant HealthCare's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets Inputs are obtained from various sources, including market participants, dealers, and brokers.

(Dollars in Thousands)

4. Investments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values Furthermore, while Covenant HealthCare believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date

5. Fair Value of Financial Instruments

The following methods and assumptions were used in estimating fair value disclosures for financial instruments.

Cash and cash equivalents The carrying amounts in the consolidated balance sheets for cash and cash equivalents approximate fair value.

Marketable securities. The fair values for marketable debt and equity securities are based on quoted market prices

Long-term debt The fair values for long-term debt are estimated using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements

The carrying amounts and corresponding fair values of investments are as follows

	June 30		
	2013	**2012**	**2011**
Cash and cash equivalents	**$ 44,437**	$ 27,302	$ 31,156
Investment securities			
Fixed income mutual funds	**61,017**	55,655	47,229
Marketable equity securities and mutual funds	**134,633**	110,379	107,392
	$ 240,087	$ 193,336	$ 185,777

(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

The carrying amounts and fair value of long-term debt are as follows.

	June 30		
	2013	**2012**	**2011**
Carrying amount	**$ 103,019**	$ 108,479	$ 113,389
Fair value (Level 2)	**105,976**	113,468	111,614

6. Property and Equipment

Property and equipment consist of the following

	June 30		
	2013	**2012**	**2011**
Land and improvements	**$ 14,376**	$ 14,516	$ 14,274
Buildings	**206,531**	209,688	204,492
Equipment	**349,683**	325,122	295,913
	570,590	549,326	514,679
Accumulated depreciation and amortization	**(404,703)**	(376,140)	(346,904)
	165,887	173,186	167,775
Construction-in-progress	**2,067**	2,436	7,251
Property and equipment, net	**$ 167,954**	$ 175,622	$ 175,026

(Dollars in Thousands)

7. Long-Term Debt

Long-term debt consists of the following.

	June 30		
	2013	**2012**	**2011**
City of Saginaw Hospital Finance Authority Hospital Revenue Refunding Bonds, Series 2010H	**$ 71,615**	$ 73,765	$ 75,440
Hospital Revenue and Refunding Bonds, Series 2004G	**27,730**	29,200	30,595
Loan agreement	**3,674**	5,514	7,354
	103,019	108,479	113,389
Unamortized bond premium	**1,612**	1,756	1,905
	104,631	110,235	115,294
Less current portion	**5,630**	9,134	4,910
	$ 99,001	$ 101,101	$ 110,384

Covenant HealthCare entered into long-term loan agreements with the City of Saginaw Hospital Finance Authority The loan agreements require debt payments sufficient to pay principal and interest on the bonds Among other things, the loan agreements contain covenants that place restrictions on the amount of new debt that Covenant HealthCare can incur and the maintenance of minimum debt service coverage ratio The loans are secured by the accounts receivable and general intangibles of the Obligated Group members pursuant to the Master Indenture The Obligated Group is responsible for making all principal and interest payments on the bonds as they become due The Obligated Group consists of Covenant Medical Center and CHF

On October 28, 2010, Covenant issued the Series 2010H bonds At June 30, 2013, the Series 2010H bonds consist of $20,645 of serial bonds, which bear annual interest at 4 25% to 5 0%, and $50,970 of term bonds, which bear annual interest at 5 0% The serial bonds mature in amounts from $2,250 in 2014 to $1,110 in 2021 The term bonds are subject to annual redemption in amounts ranging from $2,665 in 2022 to $3,430 in 2031. The bonds are secured by a pledge of gross revenue of Covenant HealthCare The proceeds from the Series 2010H bonds were used to refund the Series 1999E and Series 2000F bonds and to pay the expenses incurred in connection with the issuance of the Series 2010H bonds

(Dollars in Thousands)

7. Long-Term Debt (continued)

At June 30, 2013, the Series 2004G bonds consist of $8,245 of serial bonds, which bear annual interest at 4.5% to 5 0%, and $19,485 of term bonds, which bear annual interest at 5 0% to 5 125% The serial bonds mature in amounts from $1,540 in 2014 to $3,375 in 2024 The term bonds are subject to annual redemption in amounts ranging from $1,800 in 2017 to $3,215 in 2023 The bonds are secured by a pledge of gross revenue of Covenant HealthCare The proceeds from the Series 2004G bonds were used to refund the Series 1991C and Series 1991D bonds, to pay the expenses incurred in connection with the issuance of the Series 2004G bonds, and to fully fund a debt-service reserve fund for the Series 2004G bonds

A loan agreement, with an available balance of $10,300, was entered into on January 20, 2010. For the years ended June 30, 2013, 2012, and 2011, annual payments were made in the amounts of $1,840 No new draws made in 2012 or 2011. During 2011, the annual interest rate on the note was at the three-month London Interbank Offered Rate (LIBOR) plus 125 basis points, which at June 30, 2011, was 1 81% On July 1, 2011, the loan agreement was amended to remove the new draw option, extend the commitment date until June 30, 2013, and reduce the interest rate from the three-month LIBOR plus 125 basis points to the one-month LIBOR plus 125 basis points Quarterly principal payments of $460 are required under the amended agreement An additional amendment to the loan agreement was executed on January, 30, 2013, to extend the commitment date of the agreement until June 1, 2015 As of June 30, 2013, the annual interest rate on the note was 1 44% (125 basis points plus a one-month LIBOR of 0 19%)

In May 2005, Covenant HealthCare entered into a forward-starting interest rate swap in which the counterparties agreed to make variable payments based on a market interest rate (index rate) Covenant terminated the agreement in January 2010 and realized a nonoperating gain of $399 during the year ended June 30, 2011

Future maturities of long-term debt by fiscal year are summarized as follows

Fiscal year	
2014	$ 5,630
2015	5,814
2016	4,175
2017	4,385
2018	4,605
Thereafter	78,410
	$ 103,019

(Dollars in Thousands)

7. Long-Term Debt (continued)

Covenant HealthCare has several letters of credit available at June 30, 2013, to provide funding for certain self-insured benefits There were no amounts outstanding on the letters of credit at June 30, 2013

Interest paid was $4,770 in 2013, $5,842 in 2012, and $5,723 in 2011 Rental expense under operating leases amounted to $5,613 in 2013, $5,455 in 2012, and $4,234 in 2011

Future payments of noncancelable operating leases by fiscal year are summarized as follows.

Fiscal year.	
2014	$ 3,411
2015	3,117
2016	2,668
2017	2,382
2018	2,259
Thereafter	3,871
	$ 17,708

8. Professional and General Liability Losses

Covenant HealthCare maintains a self-insurance trust fund for medical malpractice claims Under terms of the trust agreements, trust assets may be used for payment of professional liability losses, related expenses, and the cost of administering the trusts, subject to certain retention limits Excess professional liability insurance coverage has been obtained in amounts deemed adequate by Covenant HealthCare to cover claims in excess of self-insured retention limits

Covenant HealthCare records its estimated liabilities for damages and costs that may be awarded on claims and unreported incidents Covenant HealthCare's estimates are based on historical experience, the evaluation of all known claims and certain incidents, and the evaluation of claims of substance Estimated liabilities for known incidents that may result in the assertion of additional claims and other claims that may be asserted arising from services provided to patients during the period are based upon projections by a consulting actuary The recorded loss reserves are $27,714 at June 30, 2013, $29,240 at June 30, 2012, and $29,610 at June 30, 2011 The loss reserves are discounted using an annual discount rate of 4% at June 30, 2013, 2012, and 2011

8. Professional and General Liability Losses (continued)

Covenant has recognized a receivable of $9,774, $9,560, and $11,441 at June 30, 2013, 2012, and 2011, respectively, for amounts to be recovered from various insurance carriers While it is possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess of amounts for which Covenant HealthCare has provided, management believes that the excess liabilities, if any, would not materially affect the consolidated financial position of Covenant HealthCare at June 30, 2013

9. Pension Benefits

Noncontributory Defined Benefit Pension Plan

Prior to February 2011, approximately 34% of Covenant HealthCare's employees were covered by noncontributory defined benefit pension plans sponsored by Covenant HealthCare. Pension benefits under the plans are based on years of service and the employee's compensation during the last five years of employment. Effective February 2011, Covenant HealthCare elected to freeze the pension benefits at the levels in place as of that date The freezing of the defined benefit program was accounted for as a curtailment and resulted in a reduction in unrecognized actuarial losses of $27,991 in the consolidated statement of operations and changes in net assets for the year ended June 30, 2011.

Covenant HealthCare recognizes the funded status (i e , the difference between the fair value of plan assets and the projected benefit obligation) of its pension plans in the consolidated balance sheets The annual adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service costs that will be subsequently recognized as net periodic pension cost Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table sets forth the benefit obligation and assets of Covenant HealthCare's plans at June 30, 2013, 2012, and 2011, and components of net periodic benefit cost for the years then ended, and a reconciliation of the amounts recognized in the consolidated financial statements

	Year Ended June 30		
	2013	**2012**	**2011**
Change in benefit obligation			
Benefit obligation at beginning of year	**$ 309,093**	$ 268,210	$ 287,341
Service cost	**190**	132	3,167
Plan curtailment	**–**	–	(27,991)
Plan amendment	**–**	(600)	–
Interest cost	**13,986**	14,733	15,136
Actuarial (gain) loss	**(17,795)**	36,493	2,365
Benefits paid	**(12,545)**	(9,875)	(11,808)
Benefit obligation at end of year	**292,929**	309,093	268,210
Change in plan assets			
Fair value of plan assets at beginning of year	**214,358**	190,572	156,007
Actual return on plan assets	**13,547**	19,608	29,071
Employer contributions	**12,873**	14,053	17,302
Benefits paid	**(12,545)**	(9,875)	(11,808)
Fair value of plan assets at end of year	**228,233**	214,358	190,572
Accrued benefit obligation	**$ 64,696**	$ 94,735	$ 77,638
Accumulated benefit obligation at end of year	**$ 291,403**	$ 306,879	$ 266,448

No plan assets are expected to be returned to Covenant during the year ending June 30, 2014

(Dollars in Thousands)

9. Pension Benefits (continued)

The prior service cost and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2014, is approximately $6,694 Included in unrestricted net assets at June 30, 2013, 2012 and 2011, are the following amounts that have not yet been recognized in net periodic pension cost

	June 30		
	2013	**2012**	**2011**
Unrecognized prior service (credit) cost	**$ (431)**	$ (515)	$ 95
Unrecognized actuarial losses	**94,127**	118,239	91,877
Total	**$ 93,696**	$ 117,724	$ 91,972

	Year Ended June 30		
	2013	**2012**	**2011**
Components of net benefit cost			
Service cost	$ **190**	$ 132	$ 3,167
Interest cost	**13,986**	14,733	15,136
Expected return on plan assets	**(16,472)**	(16,262)	(16,302)
Settlement	**1,462**	–	–
Amortization of prior service credit	**(84)**	10	10
Amortization of actuarial loss	**7,781**	6,785	5,285
Defined benefit plan	**6,863**	5,398	7,296
Defined contribution plan	**6,071**	6,918	5,421
Total benefit cost	**$ 12,934**	$ 12,316	$ 12,717

The weighted-average discount rate used to determine the benefit obligation was 5 18% at June 30, 2013, 4 63% at June 30, 2012, and 5 60% at June 30, 2011 The assumptions used to determine the net periodic benefit cost for Covenant HealthCare's plans are set forth below

	June 30		
	2013	**2012**	**2011**
Weighted-average discount rate	**4.63%**	5 60%	5 56%
Weighted-average rate of compensation increase	**3.25**	3 25	3 25
Weighted-average expected long-term rate of return on plan assets	**7.75**	8 00	8 50

(Dollars in Thousands)

9. Pension Benefits (continued)

The investments of the plans are held by a trustee and managed in accordance with guidelines established by Covenant HealthCare The plan assets are invested in a well-diversified portfolio designed to maximize returns without assuming undue risk The plan uses investment managers specializing in each asset class Plan assets largely consist of domestic and international equity holdings, domestic and international fixed income holdings, common trust funds, limited partnerships, and hedge funds The performance of all managers and the aggregate asset allocation are formally reviewed quarterly

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Plan's investment portfolio Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets

The weighted-average asset allocation and the target allocation, by asset category, are as follows

	Target Allocation	**Percentage of Plan Assets at June 30**		
	2013	**2013**	**2012**	**2011**
Cash and cash equivalents	**1.0%**	**1.2%**	1 2%	1 2%
Marketable equity securities	–	**3.1**	2 0	3 2
Fixed income	**39.0**	**38.6**	41 6	40 6
Publicly traded mutual funds	**47.0**	**46.2**	43 3	39 0
Common trust funds	**5.0**	**4.5**	3 4	2 8
Limited partnerships	**6.0**	**4.4**	6 0	6 8
Hedge funds	**2.0**	**2.0**	2 5	6 4

(Dollars in Thousands)

9. Pension Benefits (continued)

Information about the expected cash flows for the plans follow:

Expected employer contributions for fiscal 2014	$	12,299
Expected benefit payments		
2014	$	12,759
2015		13,732
2016		16,608
2017		14,825
2018		16,784
2019–2021		93,219

The contribution amount above includes amounts paid to the pension trust The benefit payment amounts above also reflect the total benefits expected to be paid from the pension trust

Effective January 1, 2000, Covenant HealthCare instituted a defined contribution plan covering approximately 64% of its employees Effective February 2011, all eligible Covenant employees are covered by the defined contribution plan. Employees who meet eligibility requirements specified by the plan may contribute to the plan Covenant HealthCare matches the contributions of participating employees on the basis of percentages specified in the plan Covenant HealthCare also may make additional contributions to eligible employees at its discretion Expense under the defined contribution plan was $6,071, $6,918, and $5,421 for the years ended June 30, 2013, 2012, and 2011, respectively

(Dollars in Thousands)

9. Pension Benefits (continued)

The following tables present the financial instruments for pension funds carried at fair value as of June 30, 2013, 2012, and 2011, by caption based on the ASC 820 valuation hierarchy defined above.

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2013
June 30, 2013				
Assets				
Cash	**$ 2,659**	**$ –**	**$ –**	**$ 2,659**
Mutual funds.				
U S large-cap	**61,877**	**–**	**–**	**61,877**
International	**37,020**	**–**	**–**	**37,020**
Fixed income	**86,451**	**–**	**–**	**86,451**
Real estate	**11,463**	**–**	**–**	**11,463**
Common trust funds				
International	**–**	**10,171**	**–**	**10,171**
Fixed income contracts	**–**	**1,636**	**–**	**1,636**
Real asset limited partnerships	**–**	**–**	**5,359**	**5,359**
Private equity limited partnerships	**–**	**–**	**7,144**	**7,144**
Hedge funds	**–**	**–**	**4,453**	**4,453**
Total assets at fair value	**$ 199,470**	**$ 11,807**	**$ 16,956**	**$ 228,233**

(Dollars in Thousands)

9. Pension Benefits (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2012
June 30, 2012				
Assets				
Cash	$ 2,644	$ –	$ –	$ 2,644
Mutual funds				
U S large-cap	57,496	–	–	57,496
International	31,459	–	–	31,459
Fixed income	87,332	–	–	87,332
Real estate	8,311	–	–	8,311
Common trust funds				
International	–	7,314	–	7,314
Fixed income contracts	–	1,828	–	1,828
Real asset limited partnerships	–	–	5,411	5,411
Private equity limited partnerships	–	–	7,289	7,289
Hedge funds	–	–	5,275	5,275
Total assets at fair value	$ 187,241	$ 9,142	$ 17,975	$ 214,358

(Dollars in Thousands)

9. Pension Benefits (continued)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at June 30, 2011
June 30, 2011				
Assets				
Cash	$ 2,230	$ –	$ –	$ 2,230
Mutual funds				
U S large-cap	42,217	–	–	42,217
International	25,664	–	–	25,664
Fixed income	75,510	–	–	75,510
Real estate	10,455	–	–	10,455
Common trust funds				
International	–	5,280	–	5,280
Fixed income contracts	–	1,961	–	1,961
Real asset limited partnerships	–	–	8,425	8,425
Private equity limited partnerships	–	–	6,582	6,582
Hedge funds	–	–	12,248	12,248
Total assets at fair value	$ 156,076	$ 7,241	$ 27,255	$ 190,572

(Dollars in Thousands)

9. Pension Benefits (continued)

The following table summarizes the changes in Level 3 pension plan assets for the years ended June 30, 2013 and 2012

	Real Asset Limited Partnerships	Private Equity Limited Partnerships	Hedge Funds	Total
Balance July 1, 2011	$ 8,425	$ 6,582	$ 12,248	$ 27,255
Realized gains (losses)	837	–	(808)	29
Unrealized (losses) gains	(247)	(463)	1,137	427
Purchases	628	2,448	–	3,076
Sales	(4,232)	(1,278)	(7,302)	(12,812)
Balance June 30, 2012	5,411	7,289	5,275	17,975
Realized gains	–	–	**217**	**217**
Unrealized (losses) gains	**(417)**	–	**134**	**(283)**
Purchases	**1,766**	**1,264**	**31**	**3,061**
Sales	**(1,401)**	**(1,409)**	**(1,204)**	**(4,014)**
Balance June 30, 2013	**$ 5,359**	**$ 7,144**	**$ 4,453**	**$ 16,956**

(Dollars in Thousands)

10. Other Postretirement Employee Benefits

In addition to providing a pension plan, certain health care benefits are provided for retirees who meet eligibility requirements

The following table sets forth the combined benefit obligations, the assets of Covenant HealthCare's plan at June 30, 2013, 2012, and 2011, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the consolidated financial statements

	Year Ended June 30		
	2013	**2012**	**2011**
Change in benefit obligation			
Benefit obligation, beginning of year	**$ 33,145**	$ 32,158	$ 33,248
Interest cost	**1,484**	1,738	1,800
Actuarial (gain) loss	**(1,468)**	1,027	(1,458)
Benefits paid	**(1,751)**	(1,778)	(1,432)
Benefit obligation at end of year	**31,410**	33,145	32,158
Change in plan assets			
Fair value at beginning of year	**–**	–	–
Employer contributions	**1,751**	1,778	1,432
Benefits paid	**(1,751)**	(1,778)	(1,432)
Fair value at end of year	**–**	–	–
Accrued postretirement obligation	**$ 31,410**	$ 33,145	$ 32,158

The actuarial income included in unrestricted net assets and expected to be recognized in net periodic postretirement cost during the year ending June 30, 2014, is $233 Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost

	June 30		
	2013	**2012**	**2011**
Unrecognized actuarial gain	**$ 5,607**	$ 4,222	$ 5,451

(Dollars in Thousands)

10. Other Postretirement Employee Benefits (continued)

	Year Ended June 30		
	2013	**2012**	**2011**
Components of net periodic benefit cost			
Interest cost	**$ 1,484**	$ 1,738	$ 1,800
Amortization of actuarial gain	**(83)**	(202)	(59)
Net periodic benefit cost	**$ 1,401**	$ 1,536	$ 1,741

For measurement purposes, a 7 70% initial annual rate of increase in the per capita cost of covered health care benefits was assumed for 2013 The rate was assumed to decrease gradually annually to 4 5% in 2029 and remain at that level thereafter

The health care cost trend rate assumptions have a significant effect on the amounts reported for the health care plans. To illustrate, a one-percentage-point change in assumed health care cost trend rates would have the following effects

	One-Percentage-Point Increase	**One-Percentage-Point Decrease**
Effect on total of service and interest cost components	$ 51	$ (33)

The assumptions used to determine the net periodic benefit cost are set forth below:

	June 30		
	2013	**2012**	**2011**
Weighted-average discount rate	**4.63%**	5 60%	5 56%

(Dollars in Thousands)

10. Other Postretirement Employee Benefits (continued)

Information about the expected cash flows for the other postretirement benefit plans follow.

Expected employer contributions in fiscal 2014	$	2,770
Expected benefit payments		
2014	$	2,770
2015		2,538
2016		2,366
2017		2,205
2018		2,198
2019–2021		11,979

The contribution amount above includes amounts expected to be paid by Covenant HealthCare The benefit payment amounts above also reflect the total benefits expected to be paid from Covenant HealthCare's assets. As part of Covenant HealthCare's retiree health plan, $1,500 per year is provided to eligible participants, based on years of service, to be used for health-related expenses after retirement This plan is frozen and has had no new participants since January 2000 The plan participants also stopped accumulating years of service as of December 31, 2007

11. Investment in Unconsolidated Entities

The following table summarizes Covenant HealthCare's investments in unconsolidated entities

	Investment Recorded in Consolidated Balance Sheet at June 30		
	2013	**2012**	**2011**
Entity			
CMU Medical Education Partners	**$ 2,438**	$ 2,649	$ (20)
Saginaw Radiation Oncology Center	**1,175**	1,162	1,368
Covenant HealthCare Partners Inc	**1,095**	944	945
MMR – Mobile Medical Response	**6,542**	6,039	5,694
Mackinaw Surgery Center	**2,028**	1,783	1,743
Other	**245**	115	79
	$ 13,523	$ 12,692	$ 9,809

(Dollars in Thousands)

11. Investment in Unconsolidated Entities (continued)

Effects on the consolidated excess of revenues and gains over expenses and losses for the years ended June 30 are as follows

	Year Ended June 30		
	2013	**2012**	**2011**
Entity			
CMU Medical Education Partners	**$ (211)**	$ 339	$ (490)
Saginaw Radiation Oncology Center	**460**	165	291
Covenant HealthCare Partners Inc	**151**	–	49
MMR – Mobile Medical Response	**652**	345	1,225
Mackinaw Surgery Center	**459**	339	379
Other	**(69)**	114	110
	$ 1,442	$ 1,302	$ 1,564

CMU Medical Education Partners, formerly known as Synergy Medical Education, is a joint venture owned 5% by Covenant HealthCare that provides medical education to medical residents in the area

Saginaw Radiation Oncology Center (SROC) is a joint venture owned 33% by Covenant HealthCare that provides high-quality cancer care to patients.

Mobile Medical Response (MMR) is a joint venture owned 50% by Covenant HealthCare that provides emergency medical services to the area

Mackinaw Surgery Center is a joint venture owned 50% by Covenant HealthCare that provides surgical facility services to the area

(Dollars in Thousands)

11. Investment in Unconsolidated Entities (continued)

Following is a summary of the financial position and operating results of Covenant's investments accounted for under the equity method as of and for the years ended June 30

	June 30		
	2013	**2012**	**2011**
Assets	**$ 43,084**	$ 37,002	$ 37,237
Liabilities	**13,227**	9,496	15,958
Equity	**$ 29,857**	$ 27,506	$ 21,279

	Year Ended June 30		
	2013	**2012**	**2011**
Revenue	**$ 76,084**	$ 75,211	$ 65,779
Expense	**71,466**	70,605	65,394
Net income	**$ 4,618**	$ 4,606	$ 385

12. Functional Expenses

Covenant HealthCare fulfills the health requirements of residents within the communities it serves by providing, as its principal function, a complete array of health services Expenses relating to providing these services are as follows

	Year Ended June 30		
	2013	**2012**	**2011**
Health care services	**$ 443,229**	$ 442,836	$ 416,288
General and administrative	**52,603**	48,551	48,645
	$ 495,832	$ 491,387	$ 464,933

13. Subsequent Events

Covenant HealthCare evaluates subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued or available to be issued, for recognition in the consolidated financial statements as of balance sheet date For the year ended June 30, 2013, Covenant evaluated the impact of subsequent events through October 25, 2013, representing the date on which the consolidated financial statements were available to be issued No subsequent events were identified for recognition or disclosure in the consolidated financial statements or the accompanying notes

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Directors and Management
Covenant HealthCare System

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet as of June 30, 2013, and consolidating statement of operations and changes in unrestricted net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst + Young LLP

October 25, 2013

Covenant HealthCare System

Consolidating Balance Sheet

June 30, 2013

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 28,646	$ –	$ 23,530	$ 5,116
Net patient accounts receivable	48,538	–	45,677	2,861
Estimated third-party receivable	3,208	–	3,208	–
Due from affiliates	–	(351)	351	–
Current portion of funds held under bond agreements	6,263	–	6,263	–
Inventories	12,388	–	12,388	–
Prepaid expenses and other	16,480	–	16,316	164
Total current assets	115,523	(351)	107,733	8,141
Assets whose use is limited, less current portion				
Funds held under bond agreements, less current portion	3,752	–	3,752	–
Temporarily or permanently restricted assets	7,473	–	7,473	–
Professional liability fund	5,744	–	5,744	–
	16,969	–	16,969	–
Other assets				
Investments	266,422	–	255,769	10,653
Investments in unconsolidated affiliates	13,523	–	13,427	96
Other	15,481	–	12,382	3,099
	295,426	–	281,578	13,848
Property and equipment	167,954	–	167,007	947
Total assets	$ 595,872	$ (351)	$ 573,287	$ 22,936

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	$ 19,347	$ –	$ 18,705	$ 642
Estimated third-party payable	9,900	–	9,900	–
Accrued compensation and related amounts	26,452	–	25,796	656
Due to affiliates	–	(351)	–	351
Accrued interest payable and other current liabilities	5,829	–	5,753	76
Current portion of long-term debt	5,630	–	5,630	–
Total current liabilities	67,158	(351)	65,784	1,725
Noncurrent liabilities				
Long-term debt, less current portion	99,001	–	99,001	–
Accrued postretirement obligation	31,410	–	31,410	–
Accrued pension obligation	64,696	–	64,696	–
Other noncurrent liabilities	31,207	–	31,207	–
Total noncurrent liabilities	226,314	–	226,314	–
Total liabilities	293,472	(351)	292,098	1,725
Net assets				
Unrestricted	294,927	–	273,716	21,211
Temporarily restricted	6,804	–	6,804	–
Permanently restricted	669	–	669	–
Total net assets	302,400	–	281,189	21,211
Total liabilities and net assets	$ 595,872	$ (351)	$ 573,287	$ 22,936

Covenant HealthCare System

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2013

	Consolidated	Consolidating Adjustments	Obligated Group	Non-Obligated Group
		(In Thousands)		
Unrestricted revenue				
Patient service revenue	$ 519,843	$ (902)	$ 508,267	$ 12,478
Less provision for doubtful accounts	(37,236)	–	(37,235)	(1)
Net patient service revenue	482,607	(902)	471,032	12,477
Investment income	143	–	143	–
Realized gains	787	–	787	–
Other revenue	25,413	(181)	24,245	1,349
Total unrestricted revenue	508,950	(1,083)	496,207	13,826
Expenses				
Salaries and wages	218,903	–	210,944	7,959
Benefits	57,217	–	55,653	1,564
Professional fees	8,818	–	8,596	222
Supplies	102,382	–	100,375	2,007
Other purchased services	52,034	(1,083)	51,925	1,192
Other	10,368	–	9,527	841
Utilities	6,359	–	6,129	230
Insurance	6,057	–	6,016	41
Interest	4,689	–	4,672	17
Depreciation and amortization	29,005	–	28,735	270
Total expenses	495,832	(1,083)	482,572	14,343
Income (loss) from operations	13,118	–	13,635	(517)
Nonoperating gains (losses)				
Investment income	5,775	–	5,272	503
Realized and unrealized net gains on investments	13,624	–	12,866	758
Other nonoperating gains	308	–	191	117
	19,707	–	18,329	1,378
Excess of revenue over expenses	32,825	–	31,964	861
Other changes in unrestricted net assets				
Change in unrealized appreciation in fair value of investments	5,791	–	5,718	73
Pension obligation adjustment	25,413	–	25,413	–
Other	–	–	(449)	449
Increase in unrestricted net assets	$ 64,029	$ –	$ 62,646	$ 1,383

Covenant HealthCare System Obligated Group

Consolidating Balance Sheet

June 30, 2013

	Obligated Group	Adjustments	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 23,530	$ –	$ 23,250	$ 280
Net patient accounts receivable	45,677	–	45,677	–
Estimated third-party receivable	3,208	–	3,208	–
Due from affiliates	351	(50)	401	–
Current portion of funds held under bond agreements	6,263	–	6,263	–
Inventories	12,388	–	12,388	–
Prepaid expenses and other	16,316	–	16,174	142
Total current assets	107,733	(50)	107,361	422
Assets whose use is limited, less current portion				
Funds held under bond agreements, less current portion	3,752	–	3,752	–
Temporarily or permanently restricted assets	7,473	–	–	7,473
Professional liability fund	5,744	–	5,744	–
	16,969	–	9,496	7,473
Other assets				
Investments	255,769	–	246,060	9,709
Investments in unconsolidated affiliates	13,427	–	13,427	–
Other	12,382	–	12,382	–
	281,578	–	271,869	9,709
Property and equipment	167,007	–	167,007	–
Total assets	$ 573,287	$ (50)	$ 555,733	$ 17,604

	Obligated Group	Adjustments	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)		
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	$ 18,705	$ –	$ 18,641	$ 64
Estimated third-party payable	9,900	–	9,900	–
Accrued compensation and related amount	25,796	–	25,796	–
Due to affiliates	–	(50)	–	50
Accrued interest payable and other current liabilities	5,753	–	5,753	–
Current portion of long-term debt	5,630	–	5,630	–
Total current liabilities	65,784	(50)	65,720	114
Noncurrent liabilities				
Long-term debt, less current portion	99,001	–	99,001	–
Accrued postretirement obligation	31,410	–	31,410	–
Accrued pension obligation	64,696	–	64,696	–
Other noncurrent liabilities	31,207	–	31,207	–
Total noncurrent liabilities	226,314	–	226,314	–
Total liabilities	292,098	(50)	292,034	114
Net assets				
Unrestricted	273,716	–	263,699	10,017
Temporarily restricted	6,804	–	–	6,804
Permanently restricted	669	–	–	669
Total net assets	281,189	–	263,699	17,490
Total liabilities and net assets	$ 573,287	$ (50)	$ 555,733	$ 17,604

Covenant HealthCare System Obligated Group

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2013

	Obligated Group	Covenant Medical Center	Covenant HealthCare Foundation
		(In Thousands)	
Unrestricted revenue			
Patient service revenue	$ 508,267	$ 508,267	$ –
Less provision for doubtful accounts	(37,235)	(37,235)	–
Net patient service revenue	471,032	471,032	–
Investment income	143	143	–
Realized gains	787	787	–
Other revenue	24,245	23,583	662
Total unrestricted revenue	496,207	495,545	662
Expenses			
Salaries and wages	210,944	210,558	386
Benefits	55,653	55,563	90
Professional fees	8,596	8,578	18
Supplies	100,375	100,105	270
Other purchased services	51,925	51,829	96
Other	9,527	9,239	288
Utilities	6,129	6,128	1
Insurance	6,016	6,016	–
Interest	4,672	4,672	–
Depreciation and amortization	28,735	28,735	–
Total expenses	482,572	481,423	1,149
Income (loss) from operations	13,635	14,122	(487)
Nonoperating gains			
Investment income	5,272	5,059	213
Realized and unrealized net gains on investments	12,866	12,199	667
Other nonoperating gain	191	191	–
	18,329	17,449	880
Excess of revenue over expenses	31,964	31,571	393
Other changes in unrestricted net assets			
Change in unrealized appreciation in fair value of investments	5,718	5,309	409
Pension obligation adjustment	25,413	25,413	–
Other	(449)	(449)	–
Increase in unrestricted net assets	$ 62,646	$ 61,844	$ 802

Covenant HealthCare System Non-Obligated Group

Consolidating Balance Sheet

June 30, 2013

	Non-Obligated Group	Adjustments	Visiting Nurse Association	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)			
Assets						
Current assets						
Cash and cash equivalents	$ 5,116	$ –	$ 1,844	$ 29	$ 3,051	$ 192
Net patient accounts receivable	2,861	–	2,626	–	–	235
Prepaid expenses and other	164	–	–	–	164	–
Total current assets	8,141	–	4,470	29	3,215	427
Other assets						
Investments	10,653	–	–	5,809	1,612	3,232
Investments in unconsolidated affiliates	96	–	–	–	96	–
Other	3,099	(7,942)	–	7,952	3,089	–
	13,848	(7,942)	–	13,761	4,797	3,232
Property and equipment	947	–	441	–	506	–
Total assets	$ 22,936	$ (7,942)	$ 4,911	$ 13,790	$ 8,518	$ 3,659

	Non-Obligated Group	Adjustments	Visiting Nurse Association	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)			
Liabilities and net assets						
Current liabilities						
Accounts payable and accrued expenses	$ 642	$ –	$ 163	$ –	$ 470	$ 9
Accrued compensation and related amounts	656	–	583	–	–	73
Due to affiliates	351	–	247	(1)	106	(1)
Accrued interest payable and other current liabilities	76	–	76	–	–	–
Total current liabilities	1,725	–	1,069	(1)	576	81
Net assets						
Unrestricted	21,211	(7,942)	3,842	13,791	7,942	3,578
Total net assets	21,211	(7,942)	3,842	13,791	7,942	3,578
Total liabilities and net assets	$ 22,936	$ (7,942)	$ 4,911	$ 13,790	$ 8,518	$ 3,659

Covenant HealthCare System Non-Obligated Group

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended June 30, 2013

	Non-Obligated Group	Adjustments	Visiting Nurse Association	Covenant HealthCare System	Covenant Development Corporation	Visiting Nurse Special Services
			(In Thousands)			
Unrestricted revenue						
Patient service revenue	$ 12,478	$ –	10,836	$ –	$ –	$ 1,642
Less provision for doubtful accounts	(1)	–	–	–	–	(1)
Net patient service revenue	12,477	–	10,836	–	–	1,641
Other revenue	1,349	122	62	286	845	34
Total revenue	13,826	122	10,898	286	845	1,675
Expenses						
Salaries and wages	7,959	–	6,478	–	481	1,000
Benefits	1,564	–	1,357	–	87	120
Professional fees	222	–	–	–	214	8
Supplies	2,007	–	1,798	–	167	42
Other purchased services	1,192	–	727	–	292	173
Other	841	–	619	–	109	113
Utilities	230	–	123	–	65	42
Insurance	41	–	–	–	30	11
Interest	17	–	–	–	17	–
Depreciation and amortization	270	–	102	–	166	2
Total expenses	14,343	–	11,204	–	1,628	1,511
(Loss) income from operations	(517)	122	(306)	286	(783)	164
Nonoperating gains						
Investment income	503	–	–	121	326	56
Realized and unrealized net gains on investments	758	–	–	447	218	93
Other nonoperating gains	117	–	–	–	117	–
	1,378	–	–	568	661	149
Excess (deficit) of revenue over expenses	861	122	(306)	854	(122)	313
Other changes in unrestricted net assets						
Change in unrealized appreciation in fair value of investments	73	116	–	(3)	(116)	76
Other	449	(516)	4,149	(3,700)	516	–
Increase (decrease) in unrestricted net assets	$ 1,383	$ (278)	$ 3,843	$ (2,849)	$ 278	$ 389

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