



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



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)	OMB No 1545-0047 2012 Open to Public Inspection
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 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 CENTRACARE HEALTH SYSTEM		D Employer identification number 41-1813221	
	Doing Business As			
	Number and street (or P O box if mail is not delivered to street address) 1406 6TH AVENUE NORTH	Room/suite	E Telephone number (320) 251-2700	
	City or town, state or country, and ZIP + 4 ST CLOUD, MN 56303			
	F Name and address of principal officer TERENCE R PLADSON 1406 6TH AVENUE NORTH ST CLOUD, MN 56303		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.CENTRACARE.COM				
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶			L Year of formation 1995	M State of legal domicile MN

Part I	Summary
---------------	----------------

Activities & Governance	1 Briefly describe the organization's mission or most significant activities THE CENTRACARE HEALTH SYSTEM WORKS TO IMPROVE THE HEALTH OF EVERY PATIENT, EVERY DAY		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	12
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	352
6 Total number of volunteers (estimate if necessary)	6	0	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	580,312	
7b Net unrelated business taxable income from Form 990-T, line 34	7b	-155,192	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	0	39,006,808
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	52,144,324	72,795,293
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	508,400	1,446,528
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	-9,581	2,543,184
		52,643,143	115,791,813
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)	13,329,663	21,761,867
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ☐ 215		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	46,309,487	66,510,057
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	59,639,150	88,271,924
	19 Revenue less expenses Subtract line 18 from line 12	-6,996,007	27,519,889
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	72,290,197	143,227,013
	21 Total liabilities (Part X, line 26)	50,337,911	77,796,813
	22 Net assets or fund balances Subtract line 21 from line 20	21,952,286	65,430,200

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			2014-05-01 Date	
	GREGORY R KLUGHERZ CFO Type or print name and title				
Paid Preparer Use Only	Prnt/Type preparer's name TODD A JACKSON		Preparer's signature		Date
	Check ☐ if self-employed			PTIN P00092672	
	Firm's name  MCGLADREY LLP			Firm's EIN  42-0714325	
	Firm's address  801 NICOLLET MALL SUITE 1100 MINNEAPOLIS, MN 55402			Phone no (612) 332-4300	

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

Part III

Statement of Program Service Accomplishments

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

☒

1

Briefly describe the organization's mission

THE MISSION OF CENTRACARE HEALTH SYSTEM (CCHS) IS TO OPERATE AN INTEGRATED MULTI-ORGANIZATIONAL HEALTH CARE SYSTEM DESIGNED TO PROVIDE ACCESS TO QUALITY HEALTH CARE SERVICES AT AN AFFORDABLE PRICE

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 \$ 23,729,131 including grants of \$) (Revenue \$ 29,324,818)

CENTRACARE HEALTH SYSTEM (CCHS) IS AN INTEGRATED HEALTH SYSTEM, COMPRISED OF FOUR CRITICAL ACCESS HOSPITALS, ONE ACUTE CARE HOSPITAL, A MULTI-SPECIALTY CLINIC, SURGICAL CENTER, RETAIL PHARMACY NETWORK, NURSING HOME AND A FOUNDATION CCHS SERVES ITS PATIENTS IN 4 MAIN AREAS CENTRACARE LABORATORY SERVICES ALL HOSPITALS UNDER ITS UMBRELLA AS WELL AS CENTRACARE CLINIC IT ALSO PERFORMS TESTS FOR VARIOUS FACILITIES IN THE REGION CENTRACARE LABORATORY PERFORMED 1 7 MILLION TESTS IN FISCAL YEAR 2013 IN FISCAL YEAR 2013 CENTRACARE LABORATORY GENERATED \$29,324,818 IN PROGRAM REVENUE AND INCURRED \$23,729,131 OF EXPENSES

4b

(Code) (Expenses \$ 11,149,513 including grants of \$) (Revenue \$ 14,534,753)

MONTICELLO HOSPITAL IS CONSIDERED A DIVISION OF CENTRACARE HEALTH SYSTEM FOR TAX PURPOSES, THUS IT IS INCLUDED WITH THIS 990 FILING MONTICELLO HOSPITAL IS A 25 BED CRITICAL ACCESS HOSPITAL AND ALSO OPERATES A 10 BED ACUTE REHAB UNIT IN FISCAL YEAR 2013, THEY HAD 1,265 PATIENT DAYS, 3,208 OUTPATIENT VISITS AND 2,927 EMERGENCY ROOM VISITS IN FISCAL YEAR 2013, MONTICELLO GENERATED \$14,534,753 OF PROGRAM REVENUE AND \$11,149,513 OF PROGRAM EXPENSE

4c

(Code) (Expenses \$ 5,451,068 including grants of \$) (Revenue \$ 5,379,519)

CENTRACARE SURGICAL CENTER (CCSC) PROVIDES SURGICAL SERVICES TO THE COMMUNITY IT SERVES IN FISCAL YEAR 2013 THERE WERE 3,538 SURGERIES PERFORMED AND 3,304 CCSC GENERATED \$5,379,519 OF REVENUE AND \$5,451,068 OF EXPENSE FOR AN OPERATING LOSS OF \$136,425

(Code) (Expenses \$ 38,595,681 including grants of \$) (Revenue \$ 26,099,387)

CENTRACARE HEALTH SYSTEM ALSO PROVIDES INFORMATION SYSTEMS SUPPORT TO ALL OF THE ENTITIES WITHIN THE CENTRACARE UMBRELLA SERVICES INCLUDE FIELDING HELP DESK CALLS, INSTALLING INFORMATION SYSTEM HARDWARE AND SOFTWARE, MAINTAINING THE SERVERS AND OTHER RELATED INFORMATION SYSTEM TASKS THE REVENUE GENERATED FROM THIS ACTIVITY IN FISCAL YEAR 2013 WAS \$26,099,387 AND THE RELATED EXPENSES WERE \$38,595,681

4d

Other program services (Describe in Schedule O)

(Expenses \$ 38,595,681 including grants of \$) (Revenue \$ 26,099,387)

4e

Total program service expenses

78,925,393

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	No
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	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? 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.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	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)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter:		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

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

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	12	
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	9	
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	No
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	No
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	No
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	Yes
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	Yes
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	MN
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	GREGORY R KLUGHERZ 1406 SIXTH AVENUE NORTH ST CLOUD, MN (320) 251-2700

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) TERENCE R PLADSON MD PRESIDENT/CEO	50 00 4 00	X		X				1,182,844	0	200,797
(2) GENE WINDFELDT DIRECTOR, CHAIR	2 00 1 00	X		X				4,500	0	0
(3) ROBERT WHITE DIRECTOR, VICE CHAIR	2 00	X		X				2,000	0	0
(4) THOMAS W LEITHER MD DIRECTOR	2 00 40 00	X						1,500	418,284	44,882
(5) KEITH LEAVELL MD DIRECTOR	2 00 40 00	X						2,000	432,082	43,447
(6) CHRISTOPHER COBORN DIRECTOR	2 00 2 00	X						0	0	0
(7) DAVID AGERTER MD DIRECTOR	2 00 1 00	X						1,000	0	0
(8) DENISE ROSIN DIRECTOR	2 00 1 00	X						1,000	0	0
(9) MIKE BENUSA DIRECTOR	2 00	X						2,000	0	0
(10) GARY MARSDEN DIRECTOR	2 00	X						2,000	0	0
(11) MOHAMED YASSIN MD DIRECTOR	2 00	X						1,500	0	0
(12) MARY JO WILLIAMSON DIRECTOR	2 00	X						1,500	0	0
(13) GREGORY R KLUGHERZ CFO	20 00 26 00			X				0	605,116	96,478
(14) PAUL R HARRIS VICE PRESIDENT	30 00 16 00				X			393,819	0	76,122
(15) JAMES R DAVIS VICE PRESIDENT	20 00 22 00				X			425,311	0	37,405
(16) ERIC M LOHN REGIONAL CFO	50 40 00				X			203,554	0	24,538
(17) JOSEPH M BLONSKI MD PHYSICIAN	40 00					X		286,432	0	38,973

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) MARK J LARKIN VICE PRESIDENT OF DEVELOPMENT	40 00					X		255,760	0	58,446
(19) GERRY G GILBERTSON ADMINISTRATOR-MELROSE	50 40 00					X		253,459	0	40,793
(20) DANIEL J SWENSON ADMINISTRATOR-LONG PRAIRIE	50 40 00					X		233,616	0	47,352
(21) MARY V PHIPPS DIRECTOR	40 00					X		213,339	0	41,074
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,467,134	1,455,482	750,307

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▶32

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ST CLOUD PATHOLOGISTS 1406 6TH AVE NORTH ST CLOUD MN 56303	PATHOLOGY SERVICES	484,837
CENTRAL MINNESOTA EMERGENCY PHYSICIANS 1406 6TH AVE NORTH ST CLOUD MN 56303	ER COVERAGE	258,944
CLIFTON LARRSON ALLEN LLP 220 SOUTH 6TH STREET MINNEAPOLIS MN 55402	ACCOUNTING	236,708
HUGHES MATHEWS PA 110 6TH AVE SUITE 200 ST CLOUD MN 56302	LEGAL SERVICES	145,652
REHAB CARE GROUP EASH 100 S 5TH STREET SUITE 1075 MINNEAPOLIS MN 55402	THERAPY SERVICES	120,694
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 7		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d	39,000,853		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	5,955		
	g	Noncash contributions included in lines 1a-1f \$		39,000,853		
	h	Total. Add lines 1a-1f		39,006,808		
Program Service Revenue	2a	PATIENT & SERVICE REVENUE	Business Code 900099	44,576,207	43,995,895	580,312
	b	CORPORATE REVENUE	900099	19,452,195	19,452,195	
	c	HEALTH INSURANCE PREMIUM CREDIT	900099	4,567,211	4,567,211	
	d	SHARED/LEGAL SYSTEM REVENUE	900099	4,086,006	4,086,006	
	e	OTHER REVENUE	900099	113,674	113,674	
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		72,795,293		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		912,578	
4		Income from investment of tax-exempt bond proceeds . .				
5		Royalties				
6a		Gross rents	(i) Real 5,065,192	(ii) Personal		
b		Less rental expenses	5,065,192			
c		Rental income or (loss)	0			
d		Net rental income or (loss)				
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 1,025,388		
b		Less cost or other basis and sales expenses		491,438		
c		Gain or (loss)		533,950		
d		Net gain or (loss)		533,950		533,950
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . .	a			
b		Less direct expenses	b			
c		Net income or (loss) from fundraising events . .				
9a		Gross income from gaming activities See Part IV, line 19	a			
b		Less direct expenses	b			
c		Net income or (loss) from gaming activities . .				
10a		Gross sales of inventory, less returns and allowances . .	a			
b		Less cost of goods sold . . .	b			
c		Net income or (loss) from sales of inventory . .				
	Miscellaneous Revenue	Business Code				
11a	REVENUE FROM JOINT VENTURES	900099	2,079,981	2,079,981		
b	HEALTH INFO TECH INCENTIVE	900099	352,359	352,359		
c	LEGAL SETTLEMENT	900099	110,844	110,844		
d	All other revenue					
e	Total. Add lines 11a-11d		2,543,184			
12	Total revenue. See Instructions		115,791,813	74,758,165	580,312	1,446,528

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	2,755,120		2,755,120	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	14,563,059	14,264,630	298,429	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	451,913	449,909	2,004	
9	Other employee benefits.	2,965,167	2,965,167		
10	Payroll taxes.	1,026,608	1,019,568	7,040	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	381,958	1,918	380,040	
c	Accounting.	17,353	1,098	16,255	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	10,627,208	9,138,368	1,488,840	
12	Advertising and promotion.	82,931	17,374	65,557	
13	Office expenses.	505,237	411,935	93,087	215
14	Information technology.	29,219,404	28,643,628	575,776	
15	Royalties.				
16	Occupancy.	2,736,366	2,591,358	145,008	
17	Travel.	19,304	11,634	7,670	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	215,954	115,906	100,048	
20	Interest.	1,763,556		1,763,556	
21	Payments to affiliates.	8,960,991	8,960,991		
22	Depreciation, depletion, and amortization.	119,725		119,725	
23	Insurance.	678,386	152,209	526,177	
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	7,970,466	7,963,316	7,150	
b	DRUGS	1,389,909	1,389,909		
c	MEDICAID SURCHARGE/MN C	430,094	240,165	189,929	
d	PROPERTY TAXES	278,948	224,758	54,190	
e	All other expenses	1,112,267	361,552	750,715	
25	Total functional expenses. Add lines 1 through 24e.	88,271,924	78,925,393	9,346,316	215
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).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		946,773	1	10,231,691
	2	Savings and temporary cash investments		12,226,526	2	3,265,272
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		2,821,717	4	19,634,313
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		1,667,033	7	1,499,031
	8	Inventories for sale or use		963,058	8	2,087,353
	9	Prepaid expenses and deferred charges		379,558	9	1,362,576
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a147,021,868			
	b	Less accumulated depreciation	10b68,394,984	38,652,906	10c	78,626,884
	11	Investments—publicly traded securities		2,469,309	11	
	12	Investments—other securities See Part IV, line 11		101,266	12	25,899,853
	13	Investments—program-related See Part IV, line 11		3,324,435	13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		8,737,616	15	620,040
	16	Total assets. Add lines 1 through 15 (must equal line 34)		72,290,197	16	143,227,013
Liabilities	17	Accounts payable and accrued expenses		17,653,610	17	26,776,918
	18	Grants payable			18	
	19	Deferred revenue			19	406,109
	20	Tax-exempt bond liabilities		30,321,590	20	44,688,542
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	1,634,889
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		2,362,711	25	4,290,355
	26	Total liabilities. Add lines 17 through 25		50,337,911	26	77,796,813
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		21,952,286	27	65,430,200
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		21,952,286	33	65,430,200
	34	Total liabilities and net assets/fund balances		72,290,197	34	143,227,013

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	115,791,813
2	Total expenses (must equal Part IX, column (A), line 25)	2	88,271,924
3	Revenue less expenses Subtract line 2 from line 1	3	27,519,889
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	21,952,286
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	2,351,771
9	Other changes in net assets or fund balances (explain in Schedule O)	9	13,606,254
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	65,430,200

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? 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		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

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 CENTRACARE HEALTH SYSTEM	Employer identification number 41-1813221
--	--

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 33¹/₃% 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 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☒

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☒

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☒

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		No
11g(ii)		No
11g(iii)		No

(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	
See Additional Data Table									
Total									34,412,384

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 IIIPart 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

Additional Data

Software ID:

Software Version:

EIN: 41-1813221

Name: CENTRACARE HEALTH SYSTEM

Form 990, Sch A, Part I, Line 11h - 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)	(iv) Is the organization in (i) listed in your governing document?		(v) Did you notify the organization in (i) of your support?		(vi) Is the organization in (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
ST CLOUD HOSPITAL	410695596	501(C)(3)	Yes		Yes		Yes		24934977
CENTRACARE CLINIC	411806657	501(C)(3)	Yes		Yes		Yes		6486080
CENTRACARE HEALTH SYSTEM - MELROSE	411865315	501(C)(3)	Yes		Yes		Yes		962570
CENTRACARE HEALTH SYSTEM - LONG PRAIRIE	411924645	501(C)(3)	Yes		Yes		Yes		928578
CENTRAL MINNESOTA EMERGENCY PHYSICIANS	411708142	501(C)(3)	Yes		Yes		Yes		461413
CENTRACARE HEALTH FOUNDATION	411855173	501(C)(3)	Yes		Yes		Yes		91758
CENTRACARE HEALTH SYSTEM - SAUK CENTRE	411813221	501(C)(3)	Yes		Yes		Yes		547008

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
CENTRACARE HEALTH SYSTEM

Employer identification number
41-1813221

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

a Total number of conservation easements

b Total acreage restricted by conservation easements

c Number of conservation easements on a certified historic structure included in (a)

d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

	Held at the End of the Year
2a	
2b	
2c	
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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

	(a)Current year	(b)Prior year	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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

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		6,702,252		6,702,252
b Buildings		87,802,083	29,869,433	57,932,650
c Leasehold improvements				
d Equipment		52,421,695	38,525,551	13,896,144
e Other		95,838		95,838
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				78,626,884

Schedule D (Form 990) 2012

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
------------	------------------	-------------

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
CENTRACARE HEALTH SYSTEM

Employer identification number
41-1813221

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>17500 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 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"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b		No
b	If "Yes," did the organization make it available to the public?	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a		
		6b		

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)			90,027		90,027	0 100 %
b Medicaid (from Worksheet 3, column a)			7,122,735	5,609,720	1,513,015	1 710 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			7,212,762	5,609,720	1,603,042	1 810 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			5,590		5,590	0 010 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			450		450	0 %
j Total. Other Benefits			6,040		6,040	0 010 %
k Total. Add lines 7d and 7j			7,218,802	5,609,720	1,609,082	1 820 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

649,912

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

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

3,917,385

6

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

6

4,007,433

7

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

7

-90,048

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 IVManagement 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 %
11 MONTICELLO CANCER CENTER	RADIATION & ONCOLOGY SERVICES	60.000 %	0 %	0 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	CENTRACARE HEALTH - MONTICELLO 1013 HART BLVD MONTICELLO, MN 55362	X	X			X		X		DISTINCT PART REHAB	

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)

CENTRACARE HEALTH - MONTICELLO

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	No
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 ____		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a	☐ 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	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>175 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	Yes
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? If "No," indicate why	Yes	
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? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

2

Name and address	Type of Facility (describe)
1 MONTICELLO CARE CENTER 1104 EAST RIVER STREET MONTICELLO, MN 55362	SKILLED NURSING FACILITY
2 MONTICELLO CLINIC 1001 HART BLVD STE 100 MONTICELLO, MN 55362	CLINIC
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE HOSPITALS' TOTAL EXPENSES WERE REDUCED BY OTHER OPERATING REVENUE (NET OF EHR INCENTIVE REVENUE) AND ALSO BY MEDICAID SURCHARGE AND TAXES, AND THEN DIVIDED BY TOTAL PATIENT REVENUE TO DETERMINE COST TO CHARGE RATIO
		PART III, LINE 4 THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTHCARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON THE HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, CENTRACARE FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN PAST-DUE PATIENT BALANCES WITH COLLECTION AGENCIES SUBJECT TO THE TERMS OF CERTAIN RESTRICTIONS ON COLLECTION EFFORTS AS DETERMINED BY CENTRACARE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE SHORTFALL OF \$90 THOUSAND IN TREATING MEDICARE PATIENTS SHOULD BE CONSIDERED A COMMUNITY BENEFIT IN ITS ENTIRETY THE HOSPITAL PROVIDES AN EXCELLENT LEVEL OF CARE TO THE PEOPLE IN THE COMMUNITY DESPITE THE SHORTFALL IN REIMBURSEMENT FROM MEDICARE, THE HOSPITAL CONTINUES TO PROVIDE ESSENTIAL HEALTHCARE SERVICES TO THE POPULATION THE AMOUNT ON LINE 7 OF PART III WAS DETERMINED BY UTILIZING THE MEDICARE COST REPORT UTILIZING KEY SECTIONS OF THAT REPORT, PRIMARILY THE D SERIES AND E SERIES
		PART III, LINE 9B THE COLLECTION POLICIES AT MONTICELLO REQUIRE COLLECTION STAFF TO OFFER CHARITY TO PATIENTS WHO INDICATE THAT PAYMENT MAY BE AN ISSUE IF A PATIENT DOES QUALIFY FOR FULL CHARITY, ALL OTHER COLLECTION EFFORTS MUST CEASE IF A PATIENT QUALIFIES FOR PARTIAL CHARITY, COLLECTION EFFORTS WILL CONTINUE ON THE BALANCE OF THE ACCOUNT THESE PROVISIONS APPLY TO BOTH HOSPITAL EMPLOYED COLLECTION STAFF AND COLLECTION AGENCY STAFF NO PATIENTS, WHETHER THEY QUALIFY FOR CHARITY OR NOT, ARE REPORTED TO CREDIT RATING AGENCIES

Identifier	ReturnReference	Explanation
CENTRACARE HEALTH - MONTICELLO		PART V, SECTION B, LINE 16E THE ORGANIZATION EMPLOYES THE USE OF COLLECTION AGENCIES TO COLLECT A PATIENT'S BALANCE AFTER THOSE EFFORTS ARE EXHAUSTED, THE ORGANIZATION DOES UTILIZE LAWSUITS AS WELL
CENTRACARE HEALTH - MONTICELLO		PART V, SECTION B, LINE 17E THE ORGANIZATION CONTRACTS WITH SEVERAL COLLECTION AGENCIES TO ATTEMPT TO COLLECT PATIENT BALANCES

Identifier	ReturnReference	Explanation
CENTRACARE HEALTH - MONTICELLO		PART V, SECTION B, LINE 20D PER AGREEMENT WITH THE MINNESTOA ATTORNEY GENERAL, THE ORGANIZATION PROVIDES A DISCOUNT TO THE UNINSURED EQUAL TO THE AVERAGE DISCOUNT OF OUR LARGEST (BY VOLUME) NON-GOVERNMENTAL PAYOR
		PART VI, LINE 2 NEEDS ASSESSMENT NOT COMPLETED IN 2013

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 INPATIENTS WHO ARE SELF PAY ARE IDENTIFIED, AND A REPRESENTATIVE OF MONTICELLO'S BILLING DEPARTMENT EXPLAINS THE CHARITY CARE POLICY TO PATIENTS THEY ALSO EXPLAIN THE SELF PAY DISCOUNT AND SCREENS THE PATIENT FOR ELIGIBILITY FOR ANY STATE OR FEDERAL PROGRAMS THEY ALSO ASSIST THE PATIENT WITH ANY PAPERWORK REQUIRED TO APPLY FOR SUCH PROGRAMS OUTPATIENTS WHO ARE SELF PAY RECEIVE AN AUTOMATIC SELF PAY DISCOUNT IF THE PATIENT DOES NOT REMIT PAYMENT, COLLECTION STAFF ATTEMPT TO REACH THE PATIENT BY PHONE PATIENTS ARE TOLD ABOUT THE CHARITY PROGRAM FOR BOTH INPATIENTS AND OUTPATIENTS, ALL STATEMENTS CONTAIN A LETTER REGARDING THE AVAILABILITY OF CHARITY CARE ALSO ALL PRECOLLECTION LETTERS HAVE THIS SAME LANGUAGE INDICATING THE AVAILABILITY AND PROCESS OF OBTAINING CHARITY CARE
		PART VI, LINE 4 CENTRACARE HEALTH MONTICELLO IS LOCATED IN CENTRAL MINNESOTA IN WRIGHT COUNTY THE 2010 CENSUS SHOWS A POPULATION OF 11,553 WHICH WAS A 46 84% INCREASE OVER THE 2000 FIGURE OF 7,867 THIS AREA OF THE STATE IS SHOWING A SIGNIFICANT INCREASE IN POPULATION AND IS EXPECTED TO CONTINUE INTO THE FUTURE THE AGE DEMOGRAPHICS OF THE REGION ARE AS FOLLOWS 0-5 13 34%, 6-11 10 95%, 12 TO 17 10 01%, 18 TO 24 9 17%, 25-34 18 61%, 35-44 13 77%, 45-54 10 01%, 55-64 6 73%, 65-74 3 38%, 75-84 2 50%, 85+ 1 54% THE 2010 CENSUS DATA ETHNICITY BREAKDOWN FOR MONTICELLO, MN WAS AS FOLLOWS CAUCASIAN 92 47%, HISPANIC 3 54%, ASIAN 1 06%, AFRICAN AMERICAN 1 03%, OTHER 3 6%

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE ORGANIZATION PROMOTES THE HEALTH OF THE COMMUNITY IN SEVERAL IMPORTANT WAYS ONE OF THESE WAYS IS THROUGH THE COMMUNITY COLLABORATION COMMITTEE (CCC), A STANDING COMMITTEE OF THE CENTRACARE HEALTH FOUNDATION THE CCC HAS A MEMBERSHIP OF OVER 30 PERSONS REPRESENTING HEALTHCARE AND COMMUNITY NEEDS ACROSS CENTRAL MINNESOTA THE CCC MEETS MONTHLY TO DISCUSS WAYS TO ADDRESS TYPICAL HEALTH ISSUES THROUGH AWARENESS BUILDING, EDUCATION AND/OR AN INTERVENTION PROJECT THERE ARE SEVERAL COMMUNITY HEALTH OUTREACH INITIATIVES THAT THE FOUNDATION IS INVOLVED WITH THESE INITIATIVES INCLUDE 1) BLEND CHILDHOOD OBESITY COALITION OF CENTRAL MINNESOTA (GOAL IS TO REDUCE THE INCIDENCE OF CHILDHOOD OBESITY BY 2016), 2) SMOKE FREE COMMUNITIES (CONTINUED EFFORTS TO CREATE CLEAN INDOOR AND OUTDOOR AIR FOR ALL), 3) QUITPLAN CLINICS (COLLABORATION WITH CENTRACARE CLINIC TO HELP THOSE TRYING TO QUIT SMOKING), AND 4) CENTRACARE CLINIC MEDICAL HOME PILOT
		PART VI, LINE 6 THE ORGANIZATION IS PART OF CENTRACARE HEALTH SYSTEM (CCHS) WHICH PROVIDES A BROAD RANGE OF HEALTH CARE SERVICES TO THE PATIENTS OF CENTRAL MINNESOTA CCHS IS DEDICATED TO IMPROVING THE HEALTH OF PEOPLE LIVING AND WORKING IN THE COMMUNITIES IT SERVES TO ACCOMPLISH ITS GOALS IT WORKS ACTIVELY WITH ITS AFFILIATE HEALTH CARE ORGANIZATIONS CCHS CONTINUES TO FOCUS ON PROVIDING THE BEST CARE POSSIBLE AND IN REINVESTING INTO THE COMMUNITY CCHS ALSO PROMOTES WELLNESS BY SPONSORING PROGRAMS AND EVENTS IN LOCAL COMMUNITIES THAT FOCUS ON HEALTHY EATING AND EXERCISE, AND BY CONDUCTING SCREENINGS FOR CONDITIONS SUCH AS HIGH BLOOD PRESSURE

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
CENTRACARE HEALTH SYSTEM

Employer identification number
41-1813221

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account	☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☒ Compensation committee ☒ Independent compensation consultant ☒ Form 990 of other organizations	☒ Written employment contract ☒ Compensation survey or study ☒ 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	Yes	
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII
Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

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

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 4B	THE CORPORATIONS' EXECUTIVES ARE ELIGIBLE TO PARTICIPATE IN BENEFIT PLANS WHICH INCLUDE TAX DEFERRRED NON QUALIFIED INVESTMENT ACCOUNTS. THESE PLANS MAY PROVIDE, BUT ARE NOT CERTAIN TO PROVIDE, FOR PAYMENT OF TAX DEFERRED COMPENSATION TO THESE EXECUTIVES AT SOME TIME IN THE FUTURE. THE EXECUTIVE HAS NO LEGAL RIGHT TO THESE DOLLARS UNTIL, AND UNLESS, CERTAIN FUTURE EVENTS OCCUR. IN ACCORDANCE WITH THE INSTRUCTIONS TO THE FORM 990, THE AMOUNTS LISTED IN SECTION VII AND IN SCHEDULE J REFLECT THIS TAX DEFERRED COMPENSATION. THIS COMPENSATION IS POTENTIALLY REPORTED TWICE ON THE FORM 990: ONCE WHEN THE COMPENSATION IS DEFERRED OR ACCRUED AND AGAIN IF IT IS PAID TO THE EXECUTIVE. THE FOLLOWING INDIVIDUALS PARTICIPATED IN THE NON-QUALIFIED PLAN: TERENCE R PLADSON - PAID \$0, ACCRUED \$158,983; JAMES R DAVIS - PAID \$0, ACCRUED \$0; MARK J LARKIN - PAID \$10,720, ACCRUED \$9,706; GERRY G GILBERTSON - PAID \$29,522, ACCRUED \$21,066; DANIEL J SWENSON - PAID \$14,863, ACCRUED \$11,755; PAUL R HARRIS - PAID \$46,361, ACCRUED \$29,333; GREGORY R KLUGHERZ - PAID \$72,702, ACCRUED \$64,776.
	PART I, LINE 6	THE ORGANIZATION PROVIDES INCENTIVE COMPENSATION TO DESIGNATED INDIVIDUALS BASED ON FOUR DISCRETE AREAS: A COMPARISON BETWEEN BUDGETED AND ACTUAL NET OPERATING INCOME FOR CENTRACARE CLINIC OR CENTRACARE HEALTH SYSTEM, ACHIEVEMENT OF IMPROVEMENT IN PATIENT SATISFACTION GOALS AS COMPARED TO NATIONAL AND BASELINE RANKINGS, ACHIEVEMENT OF IMPROVEMENT IN OVERALL EMPLOYMENT ENGAGEMENT SCORES, AND ACHIEVEMENT OF UP TO THREE INDIVIDUAL GOALS WHICH ARE TIED TO THE CENTRACARE SYSTEM'S STRATEGIC PLAN. THE INCENTIVE COMPENSATION PAID OUT IS NOT A PORTION OR PERCENTAGE OF ACTUAL NET EARNINGS OF ANY CENTRACARE HEALTH SYSTEM AFFILIATE, HOWEVER NET EARNINGS GOALS ARE REQUIRED TO BE MET BEFORE INCENTIVE COMPENSATION IS PAID.

Software ID:
Software Version:
EIN: 41-1813221
Name: CENTRACARE HEALTH SYSTEM

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				
TERENCE R PLADSON MD	(i)	836,543	335,293	11,008	177,733	23,064	1,383,641	0
	(ii)	0	0	0	0	0	0	0
THOMAS W LEITHER MD	(i)	1,500	0	0	0	0	1,500	0
	(ii)	334,892	80,903	2,489	18,750	26,132	463,166	0
KEITH LEAVELL MD	(i)	2,000	0	0	0	0	2,000	0
	(ii)	354,844	58,331	18,907	18,750	24,697	475,529	0
GREGORY R KLUGHERZ	(i)	0	0	0	0	0	0	0
	(ii)	388,446	120,000	96,670	77,276	19,202	701,594	0
PAUL R HARRIS	(i)	271,402	73,440	48,977	39,705	36,417	469,941	0
	(ii)	0	0	0	0	0	0	0
JAMES R DAVIS	(i)	285,404	86,006	53,901	16,180	21,225	462,716	0
	(ii)	0	0	0	0	0	0	0
ERIC M LOHN	(i)	161,440	17,969	24,145	14,681	9,857	228,092	0
	(ii)	0	0	0	0	0	0	0
JOSEPH M BLONSKI MD	(i)	265,084	10,932	10,416	17,993	20,980	325,405	0
	(ii)	0	0	0	0	0	0	0
MARK J LARKIN	(i)	197,680	45,221	12,859	27,624	30,822	314,206	0
	(ii)	0	0	0	0	0	0	0
GERRY G GILBERTSON	(i)	168,879	49,226	35,354	32,171	8,622	294,252	0
	(ii)	0	0	0	0	0	0	0
DANIEL J SWENSON	(i)	171,115	45,831	16,670	22,003	25,349	280,968	0
	(ii)	0	0	0	0	0	0	0
MARY V PHIPPS	(i)	185,554	21,395	6,390	15,860	25,214	254,413	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ 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.

Name of the organization
CENTRACARE HEALTH SYSTEM

Employer identification number
41-1813221

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 THE CITY OF ST CLOUD	41-6005515	78916VBB5	08-10-2009	201,078,369	HEALTH CARE REVENUE BONDS 2008D		X		X		X
B THE CITY OF ST CLOUD	41-6005515	78916VBX7	02-03-2010	187,558,690	HEALTH CARE REVENUE BONDS 2010AB		X		X		X
C THE CITY OF ST CLOUD	41-6005515		12-28-2011	10,000,000	HEALTH CARE REVENUE BONDS 2011A		X		X		X
D THE CITY OF ST CLOUD	41-6005515		12-28-2011	31,445,000	HEALTH CARE REVENUE BONDS 2011B		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	73,000,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	201,078,369		187,558,690		10,000,000		31,445,000	
4	Gross proceeds in reserve funds	1,408,277		11,776,763					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,954,596		2,076,662		150,000			
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	197,715,496		173,705,265		9,850,000			
10	Capital expenditures from proceeds	8,665,207				8,665,207			
11	Other spent proceeds	31,445,000						31,445,000	
12	Other unspent proceeds	1,184,793				1,184,793			
13	Year of substantial completion	2013		2010		2012			
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X			X	X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?		X	X			X	X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III Private Business Use

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

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		X
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X			X	X	
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X				X	
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 00000%		0 00000%		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	0%		0%		0 00000%		0 00000%	
6	Total of lines 4 and 5	0%		0%		0%		0%	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X		X		X	
b	Exception to rebate?		X		X		X		X
c	No rebate due?		X		X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X			X		X	X	
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		X
b	Name of provider								
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		X		X
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X		X	

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
CENTRACARE HEALTH SYSTEM

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

Employer identification number
41-1813221

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 THE CITY OF ST CLOUD	41-6005515		09-19-2012	64,885,000	HEALTH CARE REVENUE BONDS 2012		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	64,885,000							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	3,500							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	64,881,500							
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2013							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?	X							
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X							
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 00000%							
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	0%							
6	Total of lines 4 and 5	0%							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
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						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?	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							

Part VI

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

SCHEDULE M
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
CENTRACARE HEALTH SYSTEM

Employer identification number
41-1813221

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				
NET ASSET				
25 Other ► (CONTRIBUTION)	X	1	39,000,853	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

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

Yes

No

31 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

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

32a

32b 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
------------	------------------	-------------

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 CENTRACARE HEALTH SYSTEM	Employer identification number 41-1813221
--	--

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICES	FORM 990, PART III, LINE 2	
	FORM 990, PART VI, SECTION B, LINE 11	ANNUALLY AT THE BOARD'S APRIL MEETING, PRIOR TO FILING WITH THE IRS, THE FULL BOARD HAS AN OPPORTUNITY TO REVIEW THE IRS FORM 990 WITH THE STAFF, TO ASK QUESTIONS AND SEEK CLARIFICATIONS, AND TO APPROVE THE FINAL DOCUMENT
	FORM 990, PART VI, SECTION B, LINE 12C	THE BOARD MEMBERS ARE REQUIRED TO REVIEW AND SIGN A CONFLICT OF INTEREST QUESTIONNAIRE TWICE A YEAR. ALL STAFF SIGN CONFLICTS OF INTEREST FORMS ON AN ANNUAL BASIS. THE QUESTIONNAIRES ARE REVIEWED BY THE CORPORATE COMPLIANCE OFFICER AS WELL AS THE CORPORATE COMPLIANCE GROUP (A COMPLIANCE COMMITTEE WHICH INCLUDES INTERNAL MEMBERS AND OUTSIDE COUNSEL). THE RESPONSES TO THE QUESTIONNAIRE ARE THEN REVIEWED WITH THE EXECUTIVE COMMITTEE OF THE BOARD. THE CORPORATE COMPLIANCE OFFICER IS RESPONSIBLE FOR MONITORING CONFLICTS OF INTERESTS RELATED TO BOARD AND STAFF AND TO ALERT AFFECTED PARTIES WHEN A CONFLICT ARISES. WHEN AN ACTUAL CONFLICT ARISES, THE AFFECTED PARTY IS ASKED TO RECUSE HIM/HERSELF FROM THE DECISION MAKING PROCESS. THE CORPORATE COMPLIANCE OFFICER ATTENDS BOARD MEETINGS AND SPECIFIED BOARD COMMITTEE MEETINGS WHERE CONFLICT ISSUES MAY ARISE.
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION AND BENEFITS OF THE PRESIDENT AND THE VICE PRESIDENTS (NON-MEDICAL PROVIDERS) ARE SUBJECT TO FULL COMPENSATION AND BENEFITS COMPARABILITY STUDIES CONDUCTED BIENNIALY BY A THIRD-PARTY INDEPENDENT COMPENSATION CONSULTANT. HOWEVER, THE COMPENSATION PORTION OF THE STUDY IS REVIEWED ANNUALLY BY THE CONSULTANT AND UPDATED FOR COMPENSATION COMMITTEE AND BOARD OF DIRECTORS REVIEW AND APPROVAL.
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE NOT REQUIRED BY LAW TO BE MADE AVAILABLE TO THE PUBLIC AND CENTRACARE HEALTH SYSTEM DOES NOT MAKE THEM AVAILABLE.
OTHER FEES	FORM 990, PART IX, LINE 11G	MISCELLANEOUS PROGRAM SERVICE EXPENSES 9,138,368 MANAGEMENT AND GENERAL EXPENSES 1,488,840 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 10,627,208
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	PENSION PLAN ADJUSTMENT 70,007 NET EQUITY TRANSFERS BETWEEN RELATED ORGS 10,249,834 OTHER CHANGES 246,752 NON-CONTROLLING INTEREST 3,039,661

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
CENTRACARE HEALTH SYSTEM

Employer identification number
41-1813221

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) CENTRACARE SURGERY CENTER LLC 1406 6TH AVE N ST CLOUD, MN 56303 61-1514974	SURGICAL CENTER	MN	5,379,519	2,831,638	CENTRACARE HEALTH SYSTEM
(2) CENTRACARE HEALTH - MONTICELLO 1013 HART BLVD MONTICELLO, MN 55362 46-1584944	HEALTHCARE	MN	53,992,674	65,194,022	CENTRACARE HEALTH SYSTEM
(3) BIG LAKE ASSET HOLDING COMPANY 1406 6TH AVE N ST CLOUD, MN 55303 20-8166381	MEDICAL BUILDING	MN	354,714	510,200	

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) ST CLOUD HOSPITAL 1406 6TH AVE N ST CLOUD, MN 56303 41-0695596	ACUTE/LT CARE	MN	501(C)(3)	LINE 3	CENTRACARE HEALTH SYSTEM	Yes	
(2) CENTRACARE HEALTH-MELROSE 11 NORTH 5TH AVE WEST MELROSE, MN 56352 41-1865315	ACUTE CARE	MN	501(C)(3)	LINE 3	CENTRACARE HEALTH SYSTEM	Yes	
(3) CENTRACARE HEALTH-LONG PRAIRIE 20 SE 9TH STREET LONG PRAIRIE, MN 56347 41-1924645	ACUTE CARE	MN	501(C)(3)	LINE 3	CENTRACARE HEALTH SYSTEM	Yes	
(4) CENTRACARE HEALTH-SAUK CENTRE 425 ELM STREET NORTH SAUK CENTRE, MN 56378 45-2438973	ACUTE CARE	MN	501(C)(3)	LINE 3	CENTRACARE HEALTH SYSTEM	Yes	
(5) CENTRAL MINNESOTA EMERGENCY PHYSICIANS 1406 6TH AVE N ST CLOUD, MN 56303 41-1708142	EMERGENCY PHYS	MN	501(C)(3)	LINE 3	CENTRACARE HEALTH SYSTEM	Yes	
(6) CENTRACARE CLINIC 1200 6TH AVE NORTH ST CLOUD, MN 56303 41-1806657	MULTI-SPECIALTY	MN	501(C)(3)	LINE 3	CENTRACARE HEALTH SYSTEM	Yes	
(7) CENTRACARE HEALTH FOUNDATION 1406 6TH AVE N ST CLOUD, MN 56303 41-1855173	FUNDRAISING	MN	501(C)(3)	LINE 7	CENTRACARE HEALTH SYSTEM	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) Disproprrtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MONTICELLO CANCER CENTER 1001 HART BLVD STE 50 MONTICELLO, MN 55362 26-1909519	RADIATION & ONCOLOGY SERVICES	MN	CENTRACARE HEALTH SYSTEM - MONTICELLO	RELATED	4,044,622	4,264,915		No		Yes		60 000 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) CENTRACARE PHARMACY SERVICES 1406 6TH AVE N ST CLOUD, MN 56303 41-1620618	RETAIL PHARMACIES	MN	CENTRACARE HEALTH SYSTEM	C	2,817,183	3,601,809	100 000 %	Yes	

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

Yes

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

No

1o

Yes

1p

Yes

1q

Yes

1r

Yes

1s

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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

[illegible]

Software ID:
Software Version:
EIN: 41-1813221
Name: CENTRACARE HEALTH SYSTEM

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
------------	------------------	-------------	--

-->

CentraCare Health

Consolidated Financial Report
With Supplementary Information
With Independent Auditor's Reports Thereon
June 30, 2013 and 2012



McGladrey

Assurance • Tax • Consulting

Contents

Independent Auditor's Report on the Financial Statements	1-2
Financial Statements	
Consolidated balance sheets	3-4
Consolidated statements of operations and changes in net assets	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-29
Independent Auditor's Report on the Supplementary Information	30
Supplementary Information	
Consolidating balance sheet	31-34
Consolidating statement of operations and changes in net assets	35-36



Independent Auditor's Report

To the Board of Directors
CentraCare Health
St. Cloud, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CentraCare Health System (CentraCare), which comprise the consolidated balance sheet as of June 30, 2013, the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CentraCare as of June 30, 2013, and the results of its operations and changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements of CentraCare as of and for the year ended June 30, 2012, were audited by other auditors, whose report, dated September 24, 2012, expressed an unmodified opinion on those consolidated financial statements

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
October 8, 2013

CentraCare Health

Consolidated Balance Sheets
June 30, 2013 and 2012

Assets	2013	2012
Current Assets		
Cash and cash equivalents	\$ 89,050,874	\$ 63,881,561
Accounts receivable:		
Patients and residents, less allowance for uncollectible accounts of \$15,014,000 in 2013 and \$12,587,000 in 2012	142,478,937	102,840,080
Other receivables	14,841,354	9,162,290
Inventories	13,218,656	10,020,292
Prepaid expenses and other	8,901,306	6,806,547
Third-party payor settlements	876,692	85,000
Current portion of funds held by trustees under bond indentures	70,884	324,100
Total current assets	269,438,703	193,119,870
Assets Whose Use Is Limited		
Funds held by trustee under workers' compensation agreement	3,200,657	2,722,547
Funds held by trustee under bond indentures, net of current portion	24,781,547	33,504,247
Funds designated by Board for future property and equipment replacement and expansion	416,197,629	366,605,698
Total assets whose use is limited	444,179,833	402,832,492
Property and Equipment, net	587,546,615	513,619,540
Deferred Debt Acquisition Costs, net	5,284,085	7,100,289
Interest Rate Swap Instruments	16,324	1,516,157
Other Assets	17,645,169	18,649,287
Total assets	\$ 1,324,110,729	\$ 1,136,837,635

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	2013	2012
Current Liabilities		
Current maturities of long-term debt	\$ 13,231,747	\$ 10,798,073
Accounts payable	31,208,598	36,887,123
Third-party payor settlements	2,990,997	7,033,115
Accrued salaries and benefits	89,226,258	79,574,990
Accrued interest and other	2,509,258	2,244,119
Total current liabilities	139,166,858	136,537,420
Long-Term Liabilities		
Long-term debt	415,964,609	403,851,237
Interest rate and total return swap instruments	27,736,770	16,330,437
Accrued pension liability	24,548,257	34,710,151
Other liabilities	21,688,728	13,543,509
Total long-term liabilities	489,938,364	468,435,334
Total liabilities	629,105,222	604,972,754
Commitments and Contingencies		
Net Assets		
Unrestricted	680,784,063	519,579,922
Unrestricted—noncontrolling interest	3,039,659	-
Temporarily restricted	10,911,675	12,014,849
Permanently restricted	270,110	270,110
Total net assets	695,005,507	531,864,881
Total liabilities and net assets	\$ 1,324,110,729	\$ 1,136,837,635

CentraCare Health

**Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2013 and 2012**

	2013	2012
Revenue		
Patient and resident service revenue, net of contractual adjustments	\$ 912,958,701	\$ 842,520,105
Provision for bad debts	(17,304,538)	(16,747,262)
Net patient and resident service revenue	895,654,163	825,772,843
Other operating revenue	42,494,271	36,361,158
Total revenue	938,148,434	862,134,001
Expenses		
Salaries and employee benefits	560,640,146	507,513,502
Supplies and other	271,134,274	256,302,236
Interest	14,778,840	11,982,441
Depreciation and amortization	44,458,049	36,292,214
Total expenses	891,011,309	812,090,393
Operating income	47,137,125	50,043,608
Nonoperating gains (losses)		
Investment income and gains, net	39,223,342	6,903,928
Gain (loss) on interest rate and total return swaps, net	19,777,403	(43,300,894)
Contributed net assets of affiliations	44,626,143	-
Loss on debt refinancing	(1,866,670)	-
Other gains (losses), net	154,668	(2,504,555)
Total nonoperating gains (losses), net	101,914,886	(38,901,521)
Revenue and gains in excess of expenses	149,052,011	11,142,087
Less revenues in excess of expenses attributable to noncontrolling interest	3,039,659	-
Revenue and gains in excess of expenses attributable to CentraCare	146,012,352	11,142,087
Other changes in unrestricted net assets		
Net assets released from restrictions	3,796,102	3,143,132
Adjustment to the funded status of the pension plan	11,661,154	(35,523,835)
Other changes in unrestricted net assets, net	(265,467)	(11)
Increase (decrease) in unrestricted net assets	161,204,141	(21,238,627)
Temporarily restricted net assets		
Contributions	2,692,928	2,562,402
Net assets released from restrictions	(3,796,102)	(3,143,132)
Decrease in temporarily restricted net assets	(1,103,174)	(580,730)
Increase (decrease) in net assets	160,100,967	(21,819,357)
Net assets at beginning of year, CentraCare	531,864,881	553,684,238
Net assets at end of year, CentraCare	\$ 691,965,848	\$ 531,864,881

See Notes to Consolidated Financial Statements.

CentraCare Health

Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 160,100,967	\$ (21,819,357)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	44,458,049	36,324,975
Provision for bad debts	17,304,538	16,747,262
Contributed net assets of affiliations	(41,614,261)	-
Adjustment to the funded status of the pension plan	(11,661,154)	35,523,835
Loss on debt refinancing	1,866,670	-
Change in fair value of interest rate swaps, net	(26,073,834)	44,148,294
(Gain) loss from disposition of property and equipment	(1,871,168)	142,562
Restricted contributions	(2,692,928)	(2,562,402)
Changes in assets and liabilities		
Accounts receivable from patients and residents	(43,331,654)	(19,945,396)
Other current assets and liabilities	(8,560,589)	2,089,763
Assets whose use is limited, including net realized and unrealized gains and losses	(37,542,988)	62,803,614
Accounts payable and other current liabilities	(1,413,307)	6,069,143
Other long-term assets and liabilities	44,675,808	(51,552,105)
Net cash provided by operating activities	93,644,149	107,970,188
Cash Flows From Investing Activities		
Purchases of property and equipment, net	(73,439,577)	(104,157,150)
Net cash from affiliations	14,632,680	-
Net cash used in investing activities	(58,806,897)	(104,157,150)
Cash Flows From Financing Activities		
Proceeds from long-term debt and lease transactions	67,061,514	43,223,227
Payments on defeasance of long-term debt	(70,000,000)	(31,445,000)
Debt issuance costs	(134,750)	(301,278)
Principal payments on long-term debt and capital leases	(9,287,631)	(8,108,063)
Restricted contributions	2,692,928	2,562,402
Net cash (used in) provided by financing activities	(9,667,939)	5,931,288
Net increase in cash and cash equivalents	25,169,313	9,744,326
Cash and Cash Equivalents at Beginning of Year	63,881,561	54,137,235
Cash and Cash Equivalents at End of Year	\$ 89,050,874	\$ 63,881,561
Supplemental Disclosures of Cash Flow Information		
Interest paid on long-term debt, leases and swap instruments	\$ 21,485,551	\$ 21,167,454
Net assets acquired		
Fair value of assets acquired	\$ 82,032,809	\$ -
Fair value of liabilities assumed	(37,406,666)	-
Less cash acquired	(14,632,680)	-
Net assets received through affiliations, net of cash acquired	\$ 29,993,463	\$ -

See Notes to Consolidated Financial Statements.

CentraCare Health

Notes to Consolidated Financial Statements

Note 1. Organization and Basis of Presentation

CentraCare Health System (CentraCare) was organized in 1995 for the purpose of creating an integrated, multi-organizational health care system. CentraCare strives to improve the quality and expand the clinical scope of, enhance access to, and assure affordability of health services for residents in the St. Cloud and central Minnesota area. Due to powers reserved by CentraCare relating to significant operational decisions of The Saint Cloud Hospital (the Corporation) and its right to the residual interest in the Corporation, CentraCare is considered to be the parent of the Corporation. The corporate members of the Corporation are two representatives of the Sisters of the Order of Saint Benedict, two representatives of the Diocese of St. Cloud, and four other corporate members appointed by the four representatives. The corporate members serve as representatives of the local Catholic Church of Saint Cloud.

The Corporation operates Saint Cloud Hospital, an acute care hospital (the Hospital), an extended care facility (Saint Benedict's Senior Community, Health Care & Housing for Older Adults), a retirement living facility (Benedict Village), and certain other health care operations.

CentraCare is the sole corporate member of CentraCare Health System—Melrose (CCHS—Melrose), CentraCare Health System—Long Prairie (CCHS—Long Prairie), CentraCare Health System—Sauk Centre (CCHS—Sauk Centre), CentraCare Health Foundation (the Foundation), and CentraCare Clinic (the Clinic). CentraCare also is the sole member shareholder of CentraCare Health—Monticello (CCH—Monticello), Central Minnesota Emergency Physicians (CMEP), CentraCare Pharmacy Services, Inc. (CentraCare Pharmacies), and CentraCare Surgery Center, LLC.

Effective December 1, 2012, CentraCare Health System—Sauk Centre executed a lease and affiliation agreement with the City of Sauk Centre to lease St. Michael's Hospital and its related operations in Sauk Centre, Minnesota. See Note 11, Affiliations, for further discussion.

Effective April 1, 2013, CentraCare Health—Monticello, a Minnesota Limited Liability Company, executed a lease and affiliation agreement with Monticello-Big Lake Community Hospital District to lease New River Medical Center and its related operations in Monticello, Minnesota. See Note 11, Affiliations, for further discussion.

Effective October 1, 2013, CentraCare and Paynesville Area Health Care System executed a lease and affiliation agreement and formed CentraCare Health—Paynesville, LLC, a Minnesota Limited Liability Company with CentraCare as its sole member.

CentraCare, the Corporation, the Clinic, CCHS—Melrose, CCHS—Long Prairie, CCHS—Sauk Centre, and the Foundation have been determined to qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. CCH—Monticello, as a disregarded LLC under IRS regulations, achieves tax-exempt treatment based on the exempt status of its parent, CentraCare Health System. At June 30, 2013, there were no uncertain tax positions.

Effective April 18, 2013, the CentraCare Board of Directors approved a new name for business purposes (branding and marketing), changing from CentraCare Health System to CentraCare Health. The legal names of the entities all remain the same.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Principles of consolidation: The consolidated financial statements include the accounts of CentraCare and its wholly or majority-controlled affiliates and wholly or majority-owned subsidiaries, which include both tax-exempt and taxable entities. All significant inter-affiliate balances and transactions have been eliminated in consolidation.

Cash equivalents: Cash equivalents include highly liquid, undesignated investments with original maturities of three months or less when purchased. CentraCare has cash balances at financial institutions that may exceed federal depository insurance limits. To date, CentraCare has not experienced any losses on such accounts.

Inventories: Inventories consist of medical drugs and supplies and are recorded at the lower of cost, determined primarily on an average cost basis, or market value.

Assets whose use is limited: Assets whose use is limited include investments held by trustees under indenture agreements for construction and debt service payments, investments held by trustees in conjunction with a workers' compensation program, and investments designated by the Board of Directors (over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes) for future property and equipment replacement and expansion.

Investments in marketable equity and debt securities are carried at fair value and are classified as trading investments. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility.

CentraCare invests in alternative investment funds (the funds) that hold interests in real estate and diversified hedge funds, with CentraCare's fair market value being based on the fair value of the funds' underlying investments at year-end as reported by the investee fund or as adjusted by management, based on factors including considering contributions and withdrawals to the fund and monitoring unaudited interim reporting provided by the fund related to investment returns to calculate net asset value as of June 30. CentraCare classifies these funds as trading investments.

Certain interest earned on funds held by the bond trustee is reported as other operating revenue because the interest expense on the related bonds is reported as an operating expense. All other investment returns, including unrealized gains and losses on trading investments, are reported as nonoperating gains.

Realized gains and losses are included in nonoperating gains and are determined using the specific-identification method.

Derivative financial instruments: CentraCare uses certain derivatives to manage identified and approved risk exposures but not for speculative purposes.

Swap instruments are recognized as either assets or liabilities and are measured at fair value.

CentraCare Health

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

CentraCare's derivative instruments are not designated as a hedge, as such changes in fair value of interest rate swaps, together with the related difference between interest received and interest paid, are recorded as nonoperating gains and losses.

Derivative transactions contain credit risk in the event the parties are unable to meet the terms of the contract, which is generally limited to the fair value due from counterparties on outstanding contracts. At June 30, 2013 and 2012, CentraCare's swap counterparties had a Standard & Poor's credit rating of A+ or above.

Property and equipment: Property and equipment are stated at cost, if purchased, or at fair market value on the date received, if donated or acquired through affiliation, less accumulated depreciation. Major renewals and improvements are charged to the property and equipment accounts and depreciated accordingly. Replacements, maintenance and repairs that do not improve or extend the lives of the assets are expensed currently. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any gain or loss is recognized at that time. CentraCare depreciates property and equipment using the straight-line method. The estimated useful life is based on guidance provided by the American Hospital Association.

CentraCare periodically evaluates the carrying value of property, equipment and other long-lived assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Capitalized interest: Interest cost incurred on borrowings designated for construction purposes, net of interest earned on such borrowed funds, is capitalized over the duration of the related construction projects. Imputed interest cost incurred on construction financed through internally generated funds or other borrowings is capitalized over the duration of the related construction projects. For the years ended June 30, 2013 and 2012, CentraCare capitalized interest totaling \$495,000 and \$3,830,000, respectively.

Long-term debt and deferred debt acquisition costs: Discounts and premiums on bonds, which are recorded as a reduction or addition, respectively, of long-term debt, are amortized over the life of the related indebtedness using the straight-line method. Deferred debt acquisition costs are amortized over the life of the related indebtedness using the effective-interest method.

Noncontrolling interest: CCH—Monticello has controlling interest in an operating entity. An unrelated entity owns a noncontrolling interest. A pro rata share of the income or losses and net assets applicable to these interests has been recognized in CentraCare's consolidated financial statements.

Net assets: Unrestricted net assets are used to account for all transactions related to patient care and other operating activities. Unrestricted net assets also include assets whose use is limited through designation by the Board of Directors and requirements of bond indentures. Temporarily restricted net assets are those assets whose use by CentraCare has been limited by donors or grantors to a specific purpose or time period. Permanently restricted net assets have been restricted by donors and are required to be maintained in perpetuity.

Donor-restricted gifts: Unconditional promises to give cash and other assets to CentraCare are reported at fair value at the date the promise is received. Conditional promises and indications of intentions to give are reported at fair value at the date the conditions are met.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Receipts of unconditional promises to give with payments due in future periods are reported as temporarily restricted net assets, unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period. When a timing restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as a change in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are included in nonoperating gains in the accompanying consolidated financial statements. Permanently restricted net assets are held in perpetuity.

CentraCare has received pledge contributions from various corporations, foundations and individuals. Pledge receivables, net of allowances, of \$8,959,000 and \$9,613,000 are included in other receivables (current portion) and other assets at June 30, 2013 and 2012, respectively. All pledges are expected to be collected within five years.

Net patient and resident service revenue: Net patient and resident service revenue consists of gross charges for patient services less deductions (contractual adjustments) on services provided to enrollees of Medicare, Medicaid, Blue Cross and other third-party payor programs. Contractual adjustments arising from various reimbursement arrangements with third-party payors are recognized on an estimated basis in the period in which the services are rendered. Certain reimbursement arrangements are subject to retroactive audit and adjustment. Differences between amounts originally recorded and finally settled are included in operations in the year in which the differences are known. Adjustments to revenue related to prior periods increased net patient and resident service revenue by approximately \$1,980,000 and \$7,500,000 for the years ended June 30, 2013 and 2012, respectively, which represented 0.2 percent and 0.8 percent, respectively, of annual net patient and resident service revenue. Included in the 2012 adjustments is approximately \$4,800,000 related to a Medicare settlement for past underpayments in "rural floor" budget neutrality provisions.

Accounts receivable: Patient and resident accounts receivable are reduced by an allowance for uncollectible accounts. The provision for uncollectible accounts is based upon management's assessment of expected net collections, considering historical net collection, business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance, CentraCare follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by CentraCare.

Charity care: CentraCare provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Since CentraCare does not pursue collection of amounts due from patients who have been determined to qualify for its charity care program, these amounts are excluded from net patient and resident service revenue.

The cost of charity care provided was approximately \$7,043,000 and \$5,415,000 for the years ended June 30, 2013 and 2012, respectively. The cost of providing charity care is estimated by applying an overall cost-to-charge ratio to the charity charges incurred. The cost-to-charge ratio is calculated based on total operating expenses less adjustments, as defined by the Internal Revenue Service in the instructions for Form 990—Schedule H.

Note 2. Summary of Significant Accounting Policies (Continued)

Other revenue: Other revenue includes reimbursement of license fees and other expenses related to other organizations' use of CentraCare's electronic medical records system, food sales to employees and visitors, pharmacy and ancillary sales, and grant revenue. Other revenue includes \$7,673,000 and \$5,476,000 earned from the federally funded electronic health record incentive program (Medicare and Medicaid) for the years ended June 30, 2013 and 2012, respectively. Income from incentive payments are subject to retrospective adjustments, as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, CentraCare's compliance with the meaningful use criteria is subject to audit by the federal government.

Statements of operations and changes in net assets: The consolidated statements of operations and changes in net assets have been segregated into operating and nonoperating activities. Operating activities include all health care-related services. Nonoperating activities include primarily investment income, realized and unrealized investment gains and losses, gains and losses on interest rate and total return swaps, loss on debt refinancing, contributed net assets of affiliations, and unrestricted contributions net of related expenses of the Foundation. The results of operating and nonoperating activities are included in revenue and gains in excess of expenses.

Contributions of property and equipment, changes and adjustments in CentraCare's defined benefit plans, and net assets released from restrictions are presented as other changes in unrestricted net assets and excluded from revenue and gains in excess of expenses.

Business combinations: The fair values of the assets acquired and the liabilities assumed represent CentraCare's estimate of fair values at the acquisition date. CentraCare determines fair value through a combination of methods, which include outside valuations and appraisals, internal rate of return calculations, discounted cash flow models, and consideration of market conditions. Transaction and integration costs associated with business combinations are expensed as incurred. The results of the acquisitions are included in the accompanying consolidated statement of operations and changes in net assets from the respective acquisition dates forward.

Reclassifications: Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 presentation. The reclassifications had no effect on the change in net assets or on total net assets as previously reported.

New accounting standards: During the year ended June 30, 2013, CentraCare adopted Accounting Standards Update (ASU) 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. ASU 2011-07 requires health care entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). In addition, enhanced disclosures are required related to the entity's policies for recognizing revenue and assessing bad debts. ASU 2011-07 did not have an impact on CentraCare's consolidated financial condition or results of operations.

Notes to Consolidated Financial Statements

Note 3. Net Patient and Resident Service Revenue and Contractual Agreements With Third-Party Payors

CentraCare has agreements with third-party payors that provide for payments to CentraCare at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare: Inpatient acute care services rendered at the Corporation to Medicare program beneficiaries and defined capital costs related to Medicare beneficiaries are paid at prospectively determined rates per discharge, which vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and defined capital costs related to Medicare beneficiaries are paid prospectively, while other outpatient services payments are based on fee schedules.

Certain hospital, clinic, and nursing home operations are reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Medicare services rendered to clinic patients are paid at the Medicare Part B physician fee schedule rate.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries who are not covered by Medicaid managed care are reimbursed at a prospectively determined per case or per diem rate. Outpatient services are reimbursed based on a state fee schedule.

Managed care payors: Payment arrangements are established under negotiated contracts and include reimbursement based on prospectively determined rates per discharge and daily rates, discounted charges, or per diem payments.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. CentraCare believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its consolidated financial statements.

As a service to the patient, CentraCare bills third-party payors directly and bills the patient when the patient's liability is determined. Accounts receivable are reduced by an allowance for uncollectible accounts. CentraCare's allowance for uncollectible accounts was 10.5% and 12.2% of accounts receivable at June 30, 2013 and 2012, respectively. The decrease in the allowance for uncollectible accounts as a percentage of accounts receivable was the result of positive trends experienced in the collection of patient accounts and the composition of accounts receivable at year-end. In addition, CentraCare's write-offs were \$14,229,000 and \$13,093,000 for the years ended June 30, 2013 and 2012, respectively.

CentraCare Health

Notes to Consolidated Financial Statements

Note 3. Net Patient and Resident Service Revenue and Contractual Agreements With Third-Party Payors (Continued)

Gross patient and resident service charges at established rates less third-party payor contractual adjustments consisted of the following for the years ended June 30:

	2013	2012
Gross patient and resident service charges	\$ 1,977,504,366	\$ 1,799,908,835
Allowances for contractual adjustments	(1,064,545,665)	(957,388,730)
Patient and resident service revenue, net of contractual adjustments	912,958,701	842,520,105
Provision for bad debts	(17,304,538)	(16,747,262)
Net patient and resident service revenue	<u>\$ 895,654,163</u>	<u>\$ 825,772,843</u>

Patient and resident service revenue (before provision for bad debts) by payor for the years ended June 30 was as follows.

	2013	2012
Medicare	36%	36%
Medicaid	11%	11%
Blue Cross	21%	20%
Commercial insurance	23%	23%
Self-pay and other	9%	10%
	<u>100%</u>	<u>100%</u>

CentraCare grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables (before allowance for uncollectible accounts) from patients and other third-party payors was as follows at June 30:

	2013	2012
Medicare	33%	30%
Medicaid	11%	10%
Blue Cross	16%	15%
Commercial insurance	19%	23%
Self-pay and other	21%	22%
	<u>100%</u>	<u>100%</u>

CentraCare Health**Notes to Consolidated Financial Statements**

Note 4. Assets Whose Use Is Limited

The carrying value of CentraCare's investment portfolio at June 30 is summarized as follows:

	2013	2012
Cash and cash equivalents	\$ 4,267,562	\$ 10,388,924
Commercial paper	3,580,726	1,384,713
Certificates of deposit	1,534,000	-
U S Treasury debt securities	1,424,473	1,024,275
U.S. government agency debt securities	11,434,065	18,914,150
Corporate debt securities	4,433,080	3,960,672
Fixed-income mutual funds	75,188,695	142,197,929
Asset-backed securities	2,649	2,463
Equity mutual funds	290,228,252	177,099,443
Marketable equity securities	16,500	16,500
Hedge funds of funds	37,897,634	35,198,404
Real estate partnership	14,243,081	12,969,119
	<u>\$ 444,250,717</u>	<u>\$ 403,156,592</u>

Investment gain (loss) and its classification in the consolidated statements of operations and changes in net assets for the years ended June 30 are summarized as follows:

	2013	2012
Interest and dividend income	\$ 8,260,546	\$ 8,640,199
Net realized gains	15,584,947	14,307,040
Net change in unrealized gains and losses	15,380,916	(16,043,139)
Investment gains, net	<u>\$ 39,226,409</u>	<u>\$ 6,904,100</u>
Other operating revenue	\$ 3,067	\$ 172
Nonoperating income and gains, net	39,223,342	6,903,928
Investment income and gains, net	<u>\$ 39,226,409</u>	<u>\$ 6,904,100</u>

CentraCare Health

Notes to Consolidated Financial Statements

Note 4. Assets Whose Use Is Limited (Continued)

The following tables disclose the fair value and redemption frequency for those assets whose fair value is estimated using the net asset value per share as of June 30, 2013 and 2012.

	2013—Fair Value Estimated Using Net Asset Value Per Share			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds of funds (A)	\$ 37,897,634	\$ -	Quarterly	65 days
Real estate partnership (B)	14,243,081	-	Quarterly	60 days
	<u>\$ 52,140,715</u>	<u>\$ -</u>		

	2012—Fair Value Estimated Using Net Asset Value Per Share			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds of funds (A)	\$ 35,198,404	\$ -	Annually	65 days
Real estate partnership (B)	12,969,119	-	Quarterly	60 days
	<u>\$ 48,167,523</u>	<u>\$ -</u>		

- (A) The objective of the funds is to seek to achieve an attractive risk-adjusted return with moderate directional market exposure over a full market cycle. The funds utilize an absolute return strategy including equity hedge, relative value, event-driven and tactical strategies.
- (B) The purpose of the fund is to actively manage a core portfolio of primarily equity real estate investments in the United States. The fund's real return performance objective is to achieve at least a 5% real rate of return (inflation-adjusted return), before advisory fees, over any given three- to five-year period.

Note 5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements and Disclosures section of the FASB's Accounting Standards Codification establishes a framework for measuring fair value. The framework consists of a three-level valuation hierarchy for fair value measurements 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.
- 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 full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CentraCare Health

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

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 table presents the financial instruments carried at fair value as of June 30, 2013, by investment classification, analyzed by the fair value hierarchy:

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Assets whose use is limited				
Cash and cash equivalents	\$ 3,474,475	\$ 793,087	\$ -	\$ 4,267,562
Commercial paper	-	3,580,726	-	3,580,726
Certificates of deposit	-	1,534,000	-	1,534,000
U S. Treasury debt securities	1,424,473	-	-	1,424,473
U S. government agency debt securities	-	11,434,065	-	11,434,065
Corporate debt securities	-	4,064,395	368,685	4,433,080
Fixed-income mutual funds	75,188,695	-	-	75,188,695
Asset-backed securities	-	-	2,649	2,649
Equity mutual funds	290,228,252	-	-	290,228,252
Equity securities	-	-	16,500	16,500
Hedge funds of funds	-	-	37,897,634	37,897,634
Real estate partnership	-	-	14,243,081	14,243,081
	370,315,895	21,406,273	52,528,549	444,250,717
Interest rate swap instruments	-	16,324	-	16,324
Total assets	\$ 370,315,895	\$ 21,422,597	\$ 52,528,549	\$ 444,267,041
Liabilities:				
Interest rate swap instruments	\$ -	\$ 27,736,770	\$ -	\$ 27,736,770

CentraCare Health

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

The following table presents the financial instruments carried at fair value as of June 30, 2012, by investment classification, analyzed by the fair value hierarchy.

	2012			
	Level 1	Level 2	Level 3	Total
Assets.				
Assets whose use is limited				
Cash and cash equivalents	\$ 9,794,810	\$ 594,114	\$ -	\$ 10,388,924
Commercial paper	-	1,384,713	-	1,384,713
U S Treasury debt securities	1,024,275	-	-	1,024,275
U S government agency debt securities	-	18,914,150	-	18,914,150
Corporate debt securities	-	3,650,053	310,619	3,960,672
Fixed-income mutual funds	142,197,929	-	-	142,197,929
Asset-backed securities	-	-	2,463	2,463
Equity mutual funds	177,099,443	-	-	177,099,443
Equity securities	-	-	16,500	16,500
Hedge funds of funds	-	-	35,198,404	35,198,404
Real estate partnership	-	-	12,969,119	12,969,119
	330,116,457	24,543,030	48,497,105	403,156,592
Interest rate swap instruments	-	1,516,157	-	1,516,157
Total assets	\$ 330,116,457	\$ 26,059,187	\$ 48,497,105	\$ 404,672,749
Liabilities				
Interest rate and total return swap instruments	\$ -	\$ 16,330,437	\$ -	\$ 16,330,437

Following is a description of CentraCare's valuation methodologies for assets and liabilities measured at fair value.

Fair values for Level 1 securities are based upon quoted market prices.

Fair values for Level 2 assets are 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.

Fair values for Level 2 liabilities are based primarily on a discounted cash flow method. The valuations also reflect a credit spread adjustment to the London Interbank Offer Rate (LIBOR) discount curve in order to reflect the credit value adjustment for "nonperformance" risk. The credit spread adjustment is derived from other comparably rated entities' bonds priced in the market.

Fair values for Level 3 securities are based on net asset value, based on the fair value of the fund/partnership's underlying investments or nonbinding broker estimates of midmarket pricing information, as applicable.

CentraCare Health

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (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. While CentraCare believes its valuation methods are appropriate and consistent with other market participants, the use of different methods or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the balance sheet amounts for financial instruments classified by CentraCare within Level 3 of the valuation hierarchy defined above:

	Corporate Debt Securities	Asset-Backed Securities	Equity Securities	Hedge Funds of Funds	Real Estate Partnership
Fair value at June 30, 2011	\$ 526,861	\$ 3,041	\$ 16,500	\$ 157,795	\$ 11,666,091
Purchases, sales and maturities, net	(144,080)	(173)	-	35,000,000	-
Realized gains included in revenues and gains in excess of expenses and losses	82,986	-	-	-	-
Unrealized losses included in revenues and gains in excess of expenses and losses	(155,148)	(405)	-	40,609	1,303,028
Fair value at June 30, 2012	310,619	2,463	16,500	35,198,404	12,969,119
Purchases, sales and maturities, net	(97,166)	-	-	-	-
Realized gains included in revenues and gains in excess of expenses and losses	57,461	-	-	-	-
Unrealized gains included in revenues and gains in excess of expenses and losses	97,771	186	-	2,699,230	1,273,962
Fair value at June 30, 2013	<u>\$ 368,685</u>	<u>\$ 2,649</u>	<u>\$ 16,500</u>	<u>\$ 37,897,634</u>	<u>\$ 14,243,081</u>
Change in unrealized gains (losses) related to financial instruments held at June 30, 2013	<u>\$ 33,019</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 2,699,230</u>	<u>\$ 1,273,962</u>

At June 30, 2013 and 2012, the fair value of all financial instruments approximates carrying value, except for fixed-rate long-term debt, which had a fair value in excess of carrying value of approximately \$14,766,000 and \$14,109,000, respectively. The fair value of fixed-rate debt is estimated based on quoted market prices for similar issues (excluding the impact of third-party credit enhancements on Series 2008D bonds) or by discounting expected cash flows at the rates currently offered to CentraCare for debt of similar remaining maturities, as advised by investment bankers.

The carrying values of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued expenses are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

CentraCare Health**Notes to Consolidated Financial Statements****Note 6. Property and Equipment**

Property and equipment at June 30 consisted of the following:

	2013	2012
Land	\$ 24,281,064	\$ 20,424,693
Buildings	622,426,745	555,834,887
Equipment	348,680,664	300,239,451
Construction in progress	5,666,806	13,531,735
	<u>1,001,055,279</u>	<u>890,030,766</u>
Accumulated depreciation and amortization	(413,508,664)	(376,411,226)
	<u>\$ 587,546,615</u>	<u>\$ 513,619,540</u>

Depreciation expense was \$44,596,484 and \$36,109,315 for the years ended June 30, 2013 and 2012, respectively, which includes amortization expense of assets under capital leases.

Assets recorded under capital leases at June 30, 2013 and 2012, totaled \$4,159,203 and \$3,056,519, respectively, net of accumulated amortization of \$1,701,115 and \$688,124 at June 30, 2013 and 2012, respectively

Note 7. Long-Term Debt

Long-term debt at June 30, 2013 and 2012, consisted of the following:

	2013	2012
Obligated Group Debt		
Health Care Refunding Revenue Bonds, Series 2012, maturing through 2042, variable-rate interest at an average annual interest rate of 1.0% in 2013	\$ 64,885,000	\$ -
Health Care Revenue Bonds, Series 2011A, maturing through 2019, at an annual fixed interest rate of 2.1%	9,700,000	10,000,000
Health Care Refunding Revenue Bonds, Series 2011B, maturing through 2021, variable-rate interest at an average annual interest rate of 1.0% in 2013 and 2012	28,455,000	31,445,000
Health Care Revenue Bonds, Series 2010A, maturing through 2030, at annual fixed interest rates from 4.0% to 5.1% (net of unaccreted discount of \$540,412 in 2013 and \$573,000 in 2012)	147,874,588	149,147,000
Health Care Revenue Bonds, Series 2010B, maturing through 2020, at annual fixed interest rates from 3.0% to 5.0% (net of unamortized premium of \$813,329 in 2013 and \$936,871 in 2012)	19,503,329	22,721,871

CentraCare Health

Notes to Consolidated Financial Statements

Note 7. Long-Term Debt (Continued)

	2013	2012
Obligated Group Debt (Continued)		
Health Care Variable Rate Demand Revenue Bonds, Series 2009A, maturing through 2042, at an average annual interest rate of 0.14% in 2013 and 0.18% in 2012, and Health Care Revenue Bonds, Series 2008D, maturing through 2039, at annual fixed interest rates from 5.4% to 5.5% (net of unaccreted discount of \$305,177 in 2013 and \$315,761 in 2012)	128,119,499	128,108,915
Health Care Variable Rate Demand Revenue Bonds, Series 2008A and Series 2008C, maturing through 2042, at an average annual interest rate of 0.34% in 2013 and 0.18% in 2012	-	70,000,000
Non-Obligated Group Debt		
Gross Revenue Health Care Facilities Bonds, Series 2003C and Series 2009A (CCH—Monticello), maturing through 2023, at annual interest rates from 2.75% to 6.2%	16,085,633	-
General Obligation Crossover Refunding Bonds, Series 2005C (CCHS—Sauk Centre), maturing through 2034, at annual interest rates from 4.6% to 5.0%	10,239,352	-
Capital leases, due through fiscal year 2018	4,333,955	3,226,524
	<u>429,196,356</u>	<u>414,649,310</u>
Current portion of long-term debt included in current liabilities (net of unamortized premium of \$80,372 in 2013 and 2012)	(10,810,497)	(8,376,823)
Portion of debt subject to short-term remarketing arrangements included in current liabilities	(2,421,250)	(2,421,250)
	<u>\$ 415,964,609</u>	<u>\$ 403,851,237</u>

The City of Saint Cloud, Minnesota, has issued the Obligated Group Revenue Bonds on behalf of the CentraCare Obligated Group (Obligated Group), which consists of the Corporation, CentraCare, CCHS—Melrose and CCHS—Long Prairie. The bonds are the sole obligation of the Obligated Group and are secured by unrestricted receivables and certain pass-through obligations.

The non-obligated group debt is that related to non-obligated group members of which interest and principal payments are assumed through lease and affiliation agreements with those entities. CentraCare has entered into a guarantee agreement on the existing lease agreement for CCHS—Sauk Centre. This guarantee and its respective value are limited to the payment of all rent and other sums payable under the terms of the lease. CentraCare has made no payments under this guarantee, and expectation of future payment is deemed remote.

CentraCare Health

Notes to Consolidated Financial Statements

Note 7. Long-Term Debt (Continued)

In September 2012, with the issuance of Series 2012 bonds, CentraCare refunded the Series 2008A and Series 2008C bonds and terminated the related standby bond purchase agreements. In conjunction with the issuance of Series 2012 bonds, CentraCare entered into a variable-rate direct purchase agreement with a financial institution for \$64,885,000 that will expire in September 2019. Principal payments on the Series 2012 bonds would be due in their entirety at expiration unless CentraCare renews the direct purchase agreement or enters into a direct purchase agreement with another financial institution. CentraCare has continued to disclose the aggregate maturities in accordance with their original loan agreement and respective principal payment schedule.

In December 2011, CentraCare issued \$10,000,000 of Health Care Revenue Bonds, Series 2011A, to finance a portion of the costs of construction of an administrative services building to be located at the Plaza campus. CentraCare also issued \$31,445,000 of Health Care Revenue Refunding Bonds, Series 2011B, to current refund the outstanding Series 1993 bonds. In January 2012, CentraCare redeemed the Series 1993 bonds with an outstanding par amount totaling \$31,445,000. The Series 2011A and 2011B bond agreements are direct purchase agreements with a financial institution.

In connection with the Series 2009A Variable Rate Demand Revenue Bonds, CentraCare is supported by a letter of credit with an expiration date of August 2014. Under the terms of the agreement, the bank would acquire the outstanding amount of the 2009A Variable Rate Revenue Bonds (\$48,425,000 at June 30, 2013) if tendered by the investors and not remarketed by the remarketing agent. In the event that the bank purchased bonds under the letter of credit, the bonds will become bank bonds payable in equal quarterly installments over a five-year amortization period. Bank bonds can be retired at par at any time during the amortization period. The letter of credit had an annual commitment fee rate of 0.85 percent and an annual remarketing agent fee of 0.08 percent for the year ended June 30, 2013, and annual commitment fee rates ranging from 0.775 percent to 1.20 percent and an annual remarketing agent fee ranging from 0.08 percent to 0.10 percent for the year ended June 30, 2012.

Aggregate maturities and sinking fund requirements of long-term debt, excluding maturities of the standby bond purchase agreements and letters of credit if the Series 2009A bonds are not remarketed, for each of the next five years are as follows.

Years Ending June 30.

2014	\$ 10,939,555
2015	11,350,666
2016	11,595,413
2017	11,722,061
2018	11,718,007

CentraCare Health

Notes to Consolidated Financial Statements

Note 7. Long-Term Debt (Continued)

CentraCare employs interest rate-related derivative instruments to manage its exposure to interest cost on its variable-rate debt instruments and its exposure to changes in the fair value changes on its fixed-rate debt due to changes in interest rates. CentraCare does not enter into derivative instruments for any purpose other than risk management purposes. The derivative financial instruments expose CentraCare to counterparty credit risk and market risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of the derivative contract is positive, the counterparty owes CentraCare, which creates counterparty credit risk for CentraCare. When the fair value of a derivative contract is negative, CentraCare owes the counterparty and therefore does not possess counterparty credit risk. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of CentraCare's derivative positions in the context of its total blended cost of capital

Note 8. Interest Rate and Total Return Swap Instruments

The following is a summary of the outstanding positions under these interest rate swap agreements at June 30, 2013.

Instrument Type	Bond Series	Notional Amount	Maturity Date	Interest Rate Paid	Interest Rate Received
Interest rate swap	2008	\$ 120,000,000	May 1, 2042	3.184%	68% of 1-month LIBOR
Interest rate swap	2008	80,000,000	May 3, 2039	3.710%	68% of 1-month LIBOR
Interest rate swap	2011B	28,445,000	October 1, 2023	3.659%	70% of 1-month LIBOR
Interest rate swap (Basis rate)	2010	75,000,000	May 1, 2030	SIFMA (Securities Industry and Financial Markets Association)	67% of 3-month LIBOR + 0.5461%
Interest rate swap (Basis rate)	2010	75,000,000	May 1, 2030	SIFMA	67% of 3-month LIBOR + 0.54%

The derivative instruments identified in the table above are not integrated with the underlying debt and, as such, are not hedge transactions as defined by accounting standards

CentraCare Health

Notes to Consolidated Financial Statements

Note 8. Interest Rate and Total Return Swap Instruments (Continued)

The fair value of derivative instruments on a gross basis is as follows at June 30.

	Consolidated Balance Sheet Location	2013	2012
Derivatives	Interest rate swaps—asset	\$ 16,324	\$ 1,516,157
Derivatives	Interest rate and total return swaps—liability	-	267,378
Derivatives	Interest rate and total return swaps—liability	(48,181,440)	(76,022,484)
Collateral posted for derivatives	Interest rate and total return swaps—liability	20,444,670	59,424,669
		<u>\$ (27,720,446)</u>	<u>\$ (14,814,280)</u>

The effect of derivative instruments on the consolidated statements of operations and changes in net assets is as follows:

Derivatives Not Designated as Hedging Instruments	Consolidated Statement of Operations and Changes in Net Assets Location	Amount of (Loss) Gain on Derivatives Recognized in Revenue and Gains in Excess of Expenses and Losses, Years Ended June 30	
		2013	2012
Realized losses on derivatives	Gain (loss) on interest rate swaps, net	\$ (6,296,431)	\$ (4,801,879)
Unrealized gains (losses) on derivatives	Gain (loss) on interest rate swaps, net	26,073,834	(38,499,015)
		<u>\$ 19,777,403</u>	<u>\$ (43,300,894)</u>

CentraCare's derivative instruments include certain collateralization requirements based on the market value of these transactions. The amount required for collateral is determined daily based on the current market value of the derivative instruments and compared to the predetermined collateral threshold. The aggregate fair value of all derivative instruments at June 30, 2013 and 2012, is a liability position of \$48,165,116 and \$74,238,949, respectively. CentraCare posted collateral of \$20,444,670 and \$59,424,669 at June 30, 2013 and 2012, respectively, which collateralizes CentraCare's liability positions on certain derivative instruments. CentraCare offsets fair value amounts recognized for the derivative instruments and fair value amounts recognized for the right to reclaim cash collateral (a receivable) based on the terms of the master netting agreement with the counterparties.

Note 9. Pension Plans

The Corporation participates in a noncontributory defined benefit plan sponsored by the Sisters of the Order of Saint Benedict; the Hospital; and Saint Benedict's Senior Community, Health Care & Housing for Older Adults. In addition, CentraCare sponsors two smaller defined benefit plans. Effective June 30, 2003, the defined benefit plans were frozen.

The Corporation's plans cover substantially all employees who attained age 21 and worked for at least one year with 1,000 hours or more of annual service prior to curtailment of the plans. Benefits are based on each employee's years of service and compensation.

CentraCare Health

Notes to Consolidated Financial Statements

Note 9. Pension Plans (Continued)

CentraCare's funding policy is to contribute annually at least the amount necessary to prevent a deficiency in the accounts using a calculation of the normal cost plus a 10-year amortization of the unfunded actuarial accrued liability, with interest, to the end of the plan. The normal cost is the portion of the present value of benefits that is allocated to the current year.

CentraCare's Investment Committee approves the investment policy and asset allocation of the pension plan. The Investment Committee's activities are supported by an independent investment manager. The investment policy covers responsibilities of the investment manager, investment objectives, asset allocation targets, and asset guidelines (including permissible and nonpermissible holdings). The Investment Committee reviews asset allocations quarterly to determine if the current structure is appropriate and whether any changes are necessary.

The current target allocation and the actual asset allocation as of June 30 are as follows.

	Asset Allocation Target	2013	2012
Equity securities	43%	44%	43%
Fixed-income securities	51%	49%	50%
Real estate partnerships	6%	7%	6%
Cash	0%	0%	1%
	100%	100%	100%

The plan's investments in alternative investments are similar to those described in Note 5.

The following is a summary of the change in projected benefit obligation and change in plan assets for the years ended June 30:

	2013	2012
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 158,141,191	\$ 125,910,024
Interest cost	6,036,593	6,806,085
Actuarial (gain) loss	(4,697,327)	32,447,083
Benefits paid	(6,441,320)	(7,022,001)
Projected benefit obligation at end of year	153,039,137	158,141,191
Change in plan assets:		
Fair value of plan assets at beginning of year	122,942,742	123,691,752
Employer contributions	24,393	208,672
Actual gain on plan assets	11,485,534	6,064,319
Benefits paid	(6,441,320)	(7,022,001)
Fair value of plan assets at end of year	128,011,349	122,942,742
Funded status of the plan (underfunded)	\$ (25,027,788)	\$ (35,198,449)

Accumulated benefit obligation at June 30, 2013 and 2012, was \$153,039,137 and \$158,141,191, respectively.

CentraCare Health**Notes to Consolidated Financial Statements****Note 9. Pension Plans (Continued)**

Changes in plan assets and benefit obligations recognized in unrestricted net assets during the years ended June 30 consist of the following:

	2013	2012
Actuarial (gain) loss	\$ (6,907,419)	\$ 36,274,100
Amortization of actuarial loss, net	(4,753,735)	(750,265)
Total	<u>\$ (11,661,154)</u>	<u>\$ 35,523,835</u>

At June 30, 2013 and 2012, actuarial losses of \$50,981,664 and \$62,642,819, respectively, which have not been recognized in the net periodic pension (benefit) cost, are included in unrestricted net assets.

Actuarial losses (gains) included in unrestricted net assets and expected to be recognized in net periodic pension (benefit) cost during the year ending June 30, 2014, are \$4,542,000. Unrecognized actuarial gains (losses) are amortized as a component of net periodic pension (benefit) cost, only if the gains (losses) exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets.

Net periodic pension benefit consisted of the following for the years ended June 30:

	2013	2012
Interest cost	\$ 6,036,593	\$ 6,806,085
Expected return on plan assets	(9,275,443)	(9,891,336)
Amortization of unrecognized net actuarial loss	4,753,735	750,265
Net periodic pension cost (benefit)	<u>\$ 1,514,885</u>	<u>\$ (2,334,986)</u>

Weighted-average assumptions for the years ended June 30 were as follows:

	2013	2012
Discount rate at beginning of year (used to determine net periodic benefit cost)	3.91%	5.47%
Discount rate at end of year (used to determine benefit plan obligation)	4.51%	3.91%
Expected long-term return on plan assets	7.80%	7.80%

The overall weighted-average return on plan assets is determined by applying management's judgment to the results of computer modeling, historical trends, and benchmarking data. During the year ending June 30, 2014, CentraCare expects to make contributions to the plan of \$452,000.

CentraCare Health

Notes to Consolidated Financial Statements

Note 9. Pension Plans (Continued)

The following benefits, which reflect expected future service, are expected to be paid:

Years Ending June 30.

2014	\$ 6,873,000
2015	6,923,000
2016	7,162,000
2017	7,863,000
2018	8,084,000
2019–2023	44,192,000

The plan assets measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2013, as follows.

	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 557,731	\$ -	\$ -	\$ 557,731
Corporate debt securities	-	-	200,325	200,325
Fixed-income mutual funds	62,555,633	-	-	62,555,633
Asset-backed securities	-	-	1,426	1,426
Equity mutual funds	56,094,338	-	-	56,094,338
Real estate partnership	-	-	8,601,896	8,601,896
Total plan assets	<u>\$ 119,207,702</u>	<u>\$ -</u>	<u>\$ 8,803,647</u>	<u>\$ 128,011,349</u>

The plan assets measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2012, as follows:

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 752,861	\$ -	\$ -	\$ 752,861
Corporate debt securities	-	-	168,941	168,941
Fixed-income mutual funds	61,644,661	-	-	61,644,661
Asset-backed securities	-	-	1,326	1,326
Equity mutual funds	52,537,315	-	-	52,537,315
Real estate partnership	-	-	7,837,638	7,837,638
Total plan assets	<u>\$ 114,934,837</u>	<u>\$ -</u>	<u>\$ 8,007,905</u>	<u>\$ 122,942,742</u>

Fair value methodologies for Level 1 and Level 2 investments are consistent with the inputs described in Note 5. Fair values for Level 3 corporate debt securities and asset-backed securities are based on nonbinding broker estimates of midmarket pricing information. The remaining Level 3 investments, real estate partnerships, represent the plan's ownership interest in the net asset value (NAV) of the respective partnerships and are classified as such based on redemption frequency and notice period characteristics as detailed in Note 5. Valuations provided by the respective investments' management consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments, real estate appraisals, and other pertinent information. In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price.

CentraCare Health

Notes to Consolidated Financial Statements

Note 9. Pension Plans (Continued)

The following table is a rollforward of the real estate partnership assets classified within Level 3 of the pension plan asset valuation hierarchy.

Fair value at June 30, 2011	\$ 7,057,739
Actual gain on plan assets	<u>779,899</u>
Fair value at June 30, 2012	7,837,638
Actual gain on plan assets	<u>764,258</u>
Fair value at June 30, 2013	<u><u>\$ 8,601,896</u></u>

Other assets classified within Level 3 of the pension plan valuation hierarchy had limited activity

CentraCare sponsors a defined contribution retirement plan that covers substantially all employees. Contributions are based on a percentage of eligible employees' salaries. In addition, CentraCare sponsors a defined contribution savings plan, whereby employees can contribute a portion of their salaries as savings. Under this plan, CentraCare will match 50 percent of the initial 3 percent of contributions made by employees. Total amounts expensed for all defined contribution plans were \$23,135,834 and \$21,039,698 for the years ended June 30, 2013 and 2012, respectively.

Note 10. Commitments and Contingencies

At June 30, 2013, CentraCare had commitments of approximately \$21,500,000 to complete projects relating to capital construction.

CentraCare has operating leases for occupancy space and computer, medical, communications and other equipment. Rental expense associated with the operating leases was \$8,494,082 and \$7,959,818 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments on operating leases in effect on June 30, 2013, for each of the next five years are as follows:

Years Ending June 30,

2014	\$ 7,163,763
2015	4,054,533
2016	2,342,896
2017	1,684,449
2018	<u>1,252,438</u>
	<u><u>\$ 16,498,079</u></u>

CentraCare is insured with external carriers for professional liability claims on a claims-made basis and for general liability and workers' compensation on an occurrence basis. Under the professional liability and workers' compensation policies, CentraCare has self-insured deductible amounts. If claims-made policies presently in force are not renewed or replaced with equivalent insurance, claims asserted after the end of the policy term will be uninsured.

CentraCare Health

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies (Continued)

CentraCare is self-insured for employee health claims with stop-loss coverage above certain limits. At June 30, 2013 and 2012, CentraCare had estimated a liability for claims incurred that have not yet been reported based on historical claims experience, which were \$5,255,966 and \$4,166,636, respectively. These benefits are reported as salaries and employee benefits on the consolidated statements of operations and changes in net assets.

CentraCare is a party in various legal proceedings and potential claims arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material adverse effect on CentraCare's consolidated financial condition or operations.

Note 11. Affiliations

Effective December 1, 2012, CCHS—Sauk Centre executed a lease and affiliation agreement with the City of Sauk Centre to lease St. Michael's Hospital and its related operations. Effective April 1, 2013, CCH—Monticello, a Minnesota Limited Liability Company, executed a lease and affiliation agreement with Monticello-Big Lake Community Hospital District to lease New River Medical Center and its related operations in Monticello, Minnesota. The affiliations further CentraCare's strategy to grow health care services and expand its regional network within these areas. Under the terms of the affiliations, CentraCare now controls substantially all the assets, liabilities and operations of these facilities, and the employees (including employed physicians) became those of the respective subsidiaries. In accordance with accounting standards, these transactions are accounted for as business acquisitions. The operating results of CCHS—Sauk Centre and CCH—Monticello have been included in the consolidated financial statements since the respective dates of affiliation.

Following is a summary of the fair values of assets and liabilities reported in the consolidated balance sheet at the time of affiliations:

Cash	\$ 14,632,680
Patient accounts receivable	13,611,741
Investments	3,297,921
Other assets, net	7,290,467
Land, buildings and equipment	43,200,000
Current liabilities	(3,234,319)
Working capital loan	(6,732,992)
Long-term liabilities	<u>(27,439,355)</u>
	44,626,143
Less noncontrolling interest	<u>3,011,882</u>
Total contributed net assets of affiliations	<u><u>\$ 41,614,261</u></u>

CentraCare Health**Notes to Consolidated Financial Statements**

Note 11. Affiliations (Continued)

The following table presents financial information attributable to CCHS—Sauk Centre and CCH—Monticello since the affiliation dates that is included in the consolidated financial statements for the period ended June 30, 2013:

Total revenue	\$ 29,195,264
Excess of revenue over expenses	766,247
Changes in unrestricted net assets	620,739
Changes in temporarily restricted net assets	-
Changes in permanently restricted net assets	-

The following table presents unaudited consolidated pro forma financial information for the years ended June 30, 2013 and 2012, as if the closing of the affiliations had occurred on July 1, 2011:

	2013	2012
Total revenue	\$ 994,373,861	\$ 943,687,732
Revenues and gains in excess of expenses	107,527,907	6,859,416
Changes in unrestricted net assets	122,966,179	(25,423,862)
Changes in temporarily restricted net assets	(951,649)	(580,730)
Changes in permanently restricted net assets	-	-

The unaudited consolidated pro forma financial information is not necessarily indicative of the results of operations that would have occurred if the affiliation had been completed on the date indicated, nor is it indicative of future operating results

Note 12. Functional Expenses

CentraCare provides general health care services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations and changes in net assets for the years ended June 30 are as follows:

	2013	2012
Health care services	\$ 768,631,861	\$ 717,299,797
General and administrative	122,379,448	94,790,596
	<u>\$ 891,011,309</u>	<u>\$ 812,090,393</u>

Note 13. Subsequent Events

CentraCare evaluated events and transactions occurring subsequent to June 30, 2013, through October 8, 2013, the date of issuance of the consolidated financial statements. During this period, there were no subsequent events, other than those described in Note 1, requiring recognition or disclosure in the consolidated financial statements.

Supplementary Information



Independent Auditor's Report on the Supplementary Information

To the Board of Directors
CentraCare Health
St. Cloud, Minnesota

We have audited the consolidated financial statements of CentraCare Health System as of and for the year ended June 30, 2013, and have issued our report thereon dated October 8, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

McGladrey LLP

Minneapolis, Minnesota
October 8, 2013

CentraCare Health

Consolidating Balance Sheet June 30, 2013

Assets	Saint Cloud Hospital	St. Benedict's Senior Community	CentraCare Corporate	CCHS— Melrose	CCHS— Long Prairie	Eliminations	Total Obligated Group
Current Assets							
Cash and cash equivalents	\$ 48,476,840	\$ 2,065,524	\$ 2,553,441	\$ 3,253,544	\$ 3,281,076	\$ -	\$ 59,630,425
Accounts receivable							
Patients and residents, net	96,188,587	1,667,998	736,707	3,287,331	3,499,783	-	105,380,406
Other receivables	1,437,483	329,523	2,123,947	127,043	27,925	(1,700,075)	2,345,846
Inventories	7,233,778	-	578,342	551,465	300,224	-	8,663,809
Prepaid expenses and other	6,208,381	175,542	562,339	286,858	168,171	-	7,401,291
Third-party payor settlements	-	-	-	259,031	286,200	-	545,231
Current portion of funds held by trustees under bond indentures	70,884	-	-	-	-	-	70,884
Total current assets	159,615,953	4,238,587	6,554,776	7,765,272	7,563,379	(1,700,075)	184,037,892
Assets Whose Use Is Limited							
Funds held by trustee under workers' compensation agreement	3,200,657	-	-	-	-	-	3,200,657
Funds held by trustee under bond indentures, net of current portion	9,176,467	-	12,046,298	-	-	-	21,222,765
Funds designated by Board for future property and equipment replacement and expansion	332,036,432	23,326,972	3,336,186	19,725,761	5,255,135	-	383,680,486
Total assets whose use is limited	344,413,556	23,326,972	15,382,484	19,725,761	5,255,135	-	408,103,908
Property and Equipment, net	445,673,181	24,659,398	44,965,760	14,110,190	7,630,294	-	537,038,823
Deferred Debt Acquisition Costs, net	4,668,088	97,418	303,708	-	-	-	5,069,214
Due From Affiliated Organizations	12,748,629	144,917	(289,881)	-	-	(11,601,666)	1,001,999
Interest Rate Swap Instruments	16,324	-	-	-	-	-	16,324
Other Assets	3,093,644	-	7,152,858	589,088	496,856	-	11,332,446
Total assets	\$ 970,229,375	\$ 52,467,292	\$ 74,069,705	\$ 42,190,311	\$ 20,945,664	\$ (13,301,741)	\$ 1,146,600,606

(Continued)

CentraCare Clinic	CCH— Monticello	CCHS— Sauk Centre	Central MN Emergency Physicians	CentraCare Surgery Center LLC	CentraCare Pharmacies	CentraCare Health Foundation	Eliminations	CentraCare Health
\$ 12,691,533	\$ 10,694,889	\$ 3,168,658	\$ 801,622	\$ 248,633	\$ 875,063	\$ 940,051	\$ -	\$ 89,050,874
12,746,373	14,145,924	7,259,288	1,466,564	648,356	832,026	-	-	142,478,937
6,360,950	1,137,613	69,394	350,114	-	65,599	11,410,876	(6,899,038)	14,841,354
1,273,346	1,071,368	268,929	-	437,643	1,503,561	-	-	13,218,656
456,811	767,491	85,177	144,462	32,747	13,327	-	-	8,901,306
-	101,461	230,000	-	-	-	-	-	876,692
-	-	-	-	-	-	-	-	70,884
33,529,013	27,918,746	11,081,446	2,762,762	1,367,379	3,289,576	12,350,927	(6,899,038)	269,438,703
-	-	-	-	-	-	-	-	3,200,657
-	3,558,782	-	-	-	-	-	-	24,781,547
-	-	-	-	-	-	32,517,143	-	416,197,629
-	3,558,782	-	-	-	-	32,517,143	-	444,179,833
3,884,066	32,196,865	12,793,831	-	1,464,259	51,836	116,935	-	587,546,615
-	214,871	-	-	-	-	-	-	5,284,085
-	-	-	-	-	-	-	(1,001,999)	-
-	-	-	-	-	-	-	-	16,324
2,784,662	1,304,758	550,170	750,000	-	260,397	1,045,836	(383,100)	17,645,169
\$ 40,197,741	\$ 65,194,022	\$ 24,425,447	\$ 3,512,762	\$ 2,831,638	\$ 3,601,809	\$ 46,030,841	\$ (8,284,137)	\$ 1,324,110,729

CentraCare Health

Consolidating Balance Sheet (Continued)
June 30, 2013

	Saint Cloud Hospital	St Benedict's Senior Community	CentraCare Corporate	CCHS— Melrose	CCHS— Long Prairie	Eliminations	Total Obligated Group
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	\$ 10,953,790	\$ 598,696	\$ 196,245	\$ 122,407	\$ -	\$ (349,280)	\$ 11,521,858
Accounts payable	26,000,702	945,351	2,076,627	1,293,107	818,825	(1,574,633)	29,559,979
Third-party payor settlements	2,029,752	16,730	-	-	205,000	-	2,251,482
Accrued salaries and benefits	42,703,329	1,989,242	17,017,073	1,637,475	1,694,000	-	65,041,119
Accrued interest and other	2,203,931	39,217	-	-	-	(27,763)	2,215,385
Total current liabilities	83,891,504	3,589,236	19,289,945	3,052,989	2,717,825	(1,951,676)	110,589,823
Long-Term Liabilities							
Long-term debt	350,261,867	17,929,520	29,866,664	1,947,912	2,590,297	(11,700,065)	390,896,195
Interest rate and total return swap instruments	27,416,580	320,190	-	-	-	-	27,736,770
Accrued pension liability	23,929,522	432,584	186,151	-	-	-	24,548,257
Other liabilities	4,937,153	19,100	2,972,556	1,329,500	107,939	-	9,366,248
Total long-term liabilities	406,545,122	18,701,394	33,025,371	3,277,412	2,698,236	(11,700,065)	452,547,470
Total liabilities	490,436,626	22,290,630	52,315,316	6,330,401	5,416,061	(13,651,741)	563,137,293
Net Assets							
Unrestricted	479,792,749	30,168,445	21,754,389	35,853,883	15,502,347	350,000	583,421,813
Unrestricted—noncontrolling interest	-	-	-	-	-	-	-
Temporarily restricted	-	8,217	-	6,027	27,256	-	41,500
Permanently restricted	-	-	-	-	-	-	-
Total net assets	479,792,749	30,176,662	21,754,389	35,859,910	15,529,603	350,000	583,463,313
Total liabilities and net assets	\$ 970,229,375	\$ 52,467,292	\$ 74,069,705	\$ 42,190,311	\$ 20,945,664	\$ (13,301,741)	\$1,146,600,606

CentraCare Clinic	CCH— Monticello	CCHS— Sauk Centre	Central MN Emergency Physicians	CentraCare Surgery Center LLC	CentraCare Pharmacies	CentraCare Health Foundation	Eliminations	CentraCare Health
\$ -	\$ 1,634,889	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,231,747
2,982,003	2,042,444	1,977,477	71,142	161,413	329,674	1,800,186	(7,715,720)	31,208,598
-	739,515	-	-	-	-	-	-	2,990,997
18,208,268	3,086,668	906,551	1,583,789	112,045	287,818	-	-	89,226,258
-	62,535	231,338	-	-	-	-	-	2,509,258
21,190,271	7,566,051	3,190,366	1,654,931	273,458	617,492	1,800,186	(7,715,720)	139,166,858
-	14,723,353	10,345,061	-	-	185,317	-	(185,317)	415,964,609
-	-	-	-	-	-	-	-	27,736,770
-	-	-	-	-	-	-	-	24,548,257
2,340,523	1,786,987	6,732,992	855,000	-	-	606,978	-	21,688,728
2,340,523	16,510,340	17,078,053	855,000	-	185,317	606,978	(185,317)	489,938,364
23,530,794	24,076,391	20,268,419	2,509,931	273,458	802,809	2,407,164	(7,901,037)	629,105,222
16,666,947	38,077,972	4,157,028	1,002,831	2,558,180	2,799,000	31,783,303	316,989	680,784,063
-	3,039,659	-	-	-	-	-	-	3,039,659
-	-	-	-	-	-	11,570,264	(700,089)	10,911,675
-	-	-	-	-	-	270,110	-	270,110
16,666,947	41,117,631	4,157,028	1,002,831	2,558,180	2,799,000	43,623,677	(383,100)	695,005,507
\$ 40,197,741	\$ 65,194,022	\$ 24,425,447	\$ 3,512,762	\$ 2,831,638	\$ 3,601,809	\$ 46,030,841	\$ (8,284,137)	\$ 1,324,110,729

CentraCare Health

Consolidating Statement of Operations and Changes in Net Assets Year Ended June 30, 2013

	Saint Cloud Hospital	St. Benedict's Senior Community	CentraCare Corporate	CCHS— Melrose	CCHS— Long Prairie	Eliminations	Total Obligated Group
Revenue							
Patient and resident service revenue, net of contractual adjustments	\$ 654,879,867	\$ 26,548,491	\$ 25,170,126	\$ 27,606,332	\$ 24,088,775	\$ (15,630,796)	\$ 742,662,795
Provision for bad debts	(11,118,779)	(100,345)	(60,813)	(386,658)	(694,271)	-	(12,360,866)
Net patient and resident service revenue	643,761,088	26,448,146	25,109,313	27,219,674	23,394,504	(15,630,796)	730,301,929
Other operating revenue	23,198,869	958,892	28,614,122	1,819,333	1,464,752	(24,772,352)	31,283,616
Total revenue	666,959,957	27,407,038	53,723,435	29,039,007	24,859,256	(40,403,148)	761,585,545
Expenses							
Salaries and employee benefits	340,959,364	15,768,805	33,810,968	15,059,954	15,476,248	(12,128,459)	408,946,880
Supplies and other	220,421,840	7,094,347	28,051,445	7,936,541	6,970,928	(28,274,689)	242,200,412
Interest	12,220,142	810,173	1,540,821	120,619	147,186	(594,795)	14,244,146
Depreciation and amortization	35,557,814	1,773,606	2,162,979	1,427,154	761,892	-	41,683,445
Total expenses	609,159,160	25,446,931	65,566,213	24,544,268	23,356,254	(40,997,943)	707,074,883
Operating income (loss)	57,800,797	1,960,107	(11,842,778)	4,494,739	1,503,002	594,795	54,510,662
Nonoperating gains (losses)							
Investment income and gains, net	31,412,207	2,114,756	886,668	1,675,739	569,713	(594,795)	36,064,288
Gain (loss) on interest rate swaps, net	19,763,492	13,911	-	-	-	-	19,777,403
Contributed net assets of affiliations	-	-	-	-	-	-	-
Loss on debt refinancing	(1,866,670)	-	-	-	-	-	(1,866,670)
Other gains (losses), net	1,683,268	(71,523)	534,454	13,871	(40,871)	-	2,119,199
Total nonoperating gains (losses), net	50,992,297	2,057,144	1,421,122	1,689,610	528,842	(594,795)	56,094,220
Revenue and gains in excess of expenses	108,793,094	4,017,251	(10,421,656)	6,184,349	2,031,844	-	110,604,882
Less revenues in excess of expenses attributable to noncontrolling interest	-	-	-	-	-	-	-
Revenue and gains in excess of expenses attributable to CentraCare	108,793,094	4,017,251	(10,421,656)	6,184,349	2,031,844	-	110,604,882
Other changes in unrestricted net assets							
Net assets released from restrictions	-	641	-	-	-	-	641
Adjustments to the funded status of the pension plan	11,246,520	344,627	70,007	-	-	-	11,661,154
Net transfers (to) from affiliated organizations	(23,125,000)	(1,003,000)	9,824,665	(966,000)	(856,000)	-	(16,125,335)
Other changes in unrestricted net assets, net	2,426,675	70,207	246,752	-	123,500	-	2,867,134
Increase (decrease) in unrestricted net assets	99,341,289	3,429,726	(280,232)	5,218,349	1,299,344	-	109,008,476
Temporarily restricted net assets							
Contributions	-	12	-	-	3,329	-	3,341
Net assets released from restrictions	-	(641)	-	-	-	-	(641)
Increase (decrease) in temporarily restricted net assets	-	(629)	-	-	3,329	-	2,700
Increase (decrease) in net assets	99,341,289	3,429,097	(280,232)	5,218,349	1,302,673	-	109,011,176
Net assets at beginning of year, CentraCare	380,451,460	26,747,565	22,034,621	30,641,561	14,226,930	350,000	474,452,137
Net assets at end of year, CentraCare	\$ 479,792,749	\$ 30,176,662	\$ 21,754,389	\$ 35,859,910	\$ 15,529,603	\$ 350,000	\$ 583,463,313

CentraCare Clinic	Three Months Ended 6/30/13 CCH— Monticello	Seven Months Ended 6/30/13 CCHS— Sauk Centre	Central MN Emergency Physicians	CentraCare Surgery Center LLC	CentraCare Pharmacies	CentraCare Health Foundation	Eliminations	CentraCare Health
\$128,865,164 (2,269,592)	\$ 14,027,112 (641,912)	\$ 15,214,262 (396,928)	\$ 11,506,306 (1,570,363)	\$ 5,378,971 (64,877)	\$ - -	\$ - -	\$ (4,695,909) -	\$ 912,958,701 (17,304,538)
126,595,572	13,385,200	14,817,334	9,935,943	5,314,094	-	-	(4,695,909)	895,654,163
29,223,093	578,584	414,146	482,937	548	2,578,359	-	(22,067,012)	42,494,271
155,818,665	13,963,784	15,231,480	10,418,880	5,314,642	2,578,359	-	(26,762,921)	938,148,434
123,651,381	7,666,475	8,580,545	9,349,777	2,530,760	2,618,969	-	(2,704,641)	560,640,146
41,228,665	6,205,745	4,372,292	1,030,618	2,451,859	408,122	-	(26,763,439)	271,134,274
-	197,810	336,883	-	-	11,514	-	(11,513)	14,778,840
842,271	956,277	481,063	-	468,448	26,545	-	-	44,458,049
165,722,317	15,026,307	13,770,783	10,380,395	5,451,067	3,065,150	-	(29,479,593)	891,011,309
(9,903,652)	(1,062,523)	1,460,697	38,485	(136,425)	(486,791)	-	2,716,672	47,137,125
60,839	22,843	5,105	1,514	-	34,084	3,046,182	(11,513)	39,223,342
-	-	-	-	-	-	-	-	19,777,403
-	42,257,309	2,368,834	-	-	-	-	-	44,626,143
-	-	-	-	-	-	-	-	(1,866,670)
-	146,485	221,417	1	-	204,740	(4,787,257)	2,250,083	154,668
60,839	42,426,637	2,595,356	1,515	-	238,824	(1,741,075)	2,238,570	101,914,886
(9,842,813)	41,364,114	4,056,053	40,000	(136,425)	(247,967)	(1,741,075)	4,955,242	149,052,011
-	3,039,659	-	-	-	-	-	-	3,039,659
(9,842,813)	38,324,455	4,056,053	40,000	(136,425)	(247,967)	(1,741,075)	4,955,242	146,012,352
-	-	-	-	-	-	6,036,593	(2,241,132)	3,796,102
-	-	-	-	-	-	-	-	11,661,154
14,555,247	483,569	-	-	425,169	661,350	-	-	-
-	(730,052)	100,975	-	-	-	-	(2,503,524)	(265,467)
4,712,434	38,077,972	4,157,028	40,000	288,744	413,383	4,295,518	210,586	161,204,141
-	-	-	-	-	-	5,141,305	(2,451,718)	2,692,928
-	-	-	-	-	-	(6,036,593)	2,241,132	(3,796,102)
-	-	-	-	-	-	(895,288)	(210,586)	(1,103,174)
4,712,434	38,077,972	4,157,028	40,000	288,744	413,383	3,400,230	-	160,100,967
11,954,513	-	-	962,831	2,269,436	2,385,617	40,223,447	(383,100)	531,864,881
\$ 16,666,947	\$ 38,077,972	\$ 4,157,028	\$ 1,002,831	\$ 2,558,180	\$ 2,799,000	\$ 43,623,677	\$ (383,100)	\$ 691,965,848