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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

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

C Name of organization
MERCY MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
701 10TH STREET SE

City or town, state or country, and ZIP + 4
CEDAR RAPIDS, IA 52403

D Employer identification number
42-0698295

E Telephone number
(319) 398-6107

G Gross receipts $ 301,832,483

F Name and address of principal officer
TIMOTHY CHARLES
701 10TH STREET SE
CEDAR RAPIDS,IA 52403

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW MERCYCARE ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1900 | **M** State of legal domicile IA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO CARE FOR THE SICK AND ENHANCE THE HEALTH OF THE COMMUNITIES WE SERVE, GUIDED BY THE SPIRIT OF THE SISTERS OF MERCY

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**	31
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	25
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	2,892
6	Total number of volunteers (estimate if necessary)	**6**	987
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	981,426
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-536,934

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	5,715,655	5,271,930
9	Program service revenue (Part VIII, line 2g)	283,201,650	262,410,378
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,494,689	9,481,560
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-1,779,802	-1,134,135
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	290,632,192	276,029,733
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	4,461,011	5,288,858
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)	120,192,169	131,460,397
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	148,487,949	133,820,411
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	273,141,129	270,569,666
19	Revenue less expenses Subtract line 18 from line 12	17,491,063	5,460,067

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	477,555,554	532,041,098
21	Total liabilities (Part X, line 26)	183,464,391	210,599,178
22	Net assets or fund balances Subtract line 21 from line 20	294,091,163	321,441,920

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

****** | 2014-05-13
Signature of officer | Date

PHILIP PETERSON PRESIDENT & CHIEF EXECUTIVE OFFICER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JOHN J ROMANO				P00227323

Firm's name ▶ MCGLADREY LLP | Firm's EIN ▶ 42-0714325

Firm's address ▶ 201 N HARRISON STREET SUITE 300
DAVENPORT, IA 528011999 | Phone no (563) 888-4000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO CARE FOR THE SICK AND ENHANCE THE HEALTH OF THE COMMUNITIES WE SERVE, GUIDED BY THE SPIRIT OF THE SISTERS OF MERCY

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 $ 206,113,914 including grants of $ 5,288,858) (Revenue $ 262,514,378)

THE MEDICAL CENTER PROVIDES MEDICAL HEALTH CARE, INCLUDING 24 HOURS A DAY, SEVEN DAYS A WEEK TRAUMA CENTER SERVICE, TO ALL PATIENTS ACCESSING THE SYSTEM, REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR ABILITY TO PAY A PATIENT IS CLASSIFIED AS A CHARITY PATIENT BY REFERENCE TO CERTAIN ESTABILISHED POLICIES OF THE HOSPITAL ESSENTIALLY, THESE POLICIES DEFINE CHARITY SERVICES AS THOSE SERVICES FOR WHICH NO OR NOMINAL PAYMENT IS ANTICIPATED ADDITIONALLY, EACH HOSPITAL DEPARTMENT ACCEPTS ALL PATIENTS WHO ARE COVERED BY GOVERNMENTAL INDIGENT PROGRAMS SUCH INDIGENT PROGRAMS TYPICALLY REMIT AMOUNTS SUBSTANTIALLY LESS THAN CHARGES THE FOLLOWING SUMMARIZES THE HOSPITAL'S CARE OF THE UNINSURED AND UNDERINSURED (DOLLARS IN THOUSANDS) COSTS IN EXCESS OF MEDICARE REIMBURSEMENT (COSTS OF PROVIDING THE SERVICES LESS THE AMOUNTS RECEIVED FROM MEDICARE) - $29,315,377, OTHER COMMUNITY BENEFITS (INCLUDES SUBSIDIZED HEALTH SERVICES, FINANCIAL CONTRIBUTIONS) - $4,053,912, FREE SERVICE (TO PATIENTS WHO MEET MERCY'S FREE-SERVICE GUIDELINES) - $4,699,864, COSTS IN EXCESS OF MEDICAID REIMBURSEMENT (COSTS OF PROVIDING THE SERVICES LESS THE AMOUNTS RECEIVED FROM MEDICAID) - $3,764,742, PHYSICIAN EDUCATION - $493,313 IN ADDITION, CHARITY CARE AND COMMUNITY SERVICE ARE PROVIDED THROUGH MANY REDUCED PRICE SERVICES AND FREE PROGRAMS OFFERED THROUGHOUT THE YEAR THESE PROGRAMS PROVIDE A BONA FIDE COMMUNITY HEALTH NEED, INCLUDING A A HEALTH NEWS PUBLICATION, THE MERCY TOUCH, DISTRIBUTED TO 62,000 HOUSEHOLDS IN 2013 AT A TOTAL COST OF OVER $60,900 B PUBLIC AND PROFESSIONAL EDUCATIONAL SEMINARS OFFERED ON TOPICS INCLUDING CHRONIC BACK AND NECK PAIN, PRENATAL EDUCATION, BREAST FEEDING, DIABETES, EATING DISORDERS, OSTEOPOROSIS, CROHNS/COLITIS, CARDIOVASCULAR DISEASE AND WELLNESS, SPECIALIZED CANCER SEMINARS FOR SOCIAL WORKERS, DENTAL HYGIENISTS, NURSES, DENTISTS, AND PHYSICIANS ARE ALSO FREQUENTLY OFFERED C HOSPITAL MEETING FACILITIES ARE FREQUENTLY USED WITHOUT CHARGE BY SUCH GROUPS AS THE AMERICAN HEART ASSOCIATION, IOWA BREAST CANCER FOUNDATION, HEALTHY LINN NETWORK ADVISORY COMMITTEE, OVEREATERS ANONYMOUS, CATHOLIC LAYMEN, UNITED WAY, CATHERINE MCAULEY CENTER FOR WOMEN, THE AMERICAN CANCER SOCIETY, M S SUPPORT GROUP, AND ARC OF EAST CENTRAL IOWA D CONTRIBUTIONS OF 126,140 HOURS TOWARD THE COMMON PURPOSE OF SERVING THE HEALTH CARE OF THE COMMUNITY THE VALUE OF THESE CONTRIBUTIONS WAS APPROXIMATELY $1,487,000 AND WAS GIVEN BACK THE THE COMMUNITY THROUGH LOWER COSTS

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

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

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ 206,113,914

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	276		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	2,892		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year **1a** 31			
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent **1b** 25			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶KAY CRIST 701 10TH STREET SE CEDAR RAPIDS, IA (319) 398-6107

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			
See Additional Data Table										

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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								3,254,070	0	590,971

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 ▶ 12

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HMP OF LINN COUNTY PLC PO BOX 645037 CINCINNATI OH 45264	HEALTHCARE PROFESSIONAL SERVICES	3,345,224
VITAL SUPPORT SYSTEM LLC 4250 GLASS ROAD NE 100 CEDAR RAPIDS IA 52402	CONSULTING	3,270,361
ONCOLOGY ASSOCIATES OF CEDAR RAPIDS 701 10TH ST SE 3RD FL HPCC CEDAR RAPIDS IA 52403	HEALTHCARE PROFESSIONAL SERVICES	2,061,744
WELAND CLINICAL LABORATORY 1911 1ST AVE SE PO BOX 1924 CEDAR RAPIDS IA 52406	HEALTHCARE PROFESSIONAL SERVICES	768,323
SEMINOLE ENERGY SERVICES LLC 1323 EAST 71ST STREET STE 300 TULSA OK 74136	ENERGY	598,636

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 ▶ 36

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	4,974,122			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	297,808			
	g	Noncash contributions included in lines 1a-1f $		52,645			
	h	**Total.** Add lines 1a-1f			5,271,930		
Program Service Revenue			Business Code				
	2a	PATIENT REVENUES	900099		216,397,444	216,397,444	
	b	LABORATORY REVENUE	621500		59,254,165	58,320,861	933,304
	c	FITNESS CENTER REVENUE	900099		460,231	460,231	
	d	FAMILY COUNSELING REVENUE	624100		291,248	291,248	
	e	LESS PROVISION FOR BAD DEBT	900099		-13,992,710	-13,992,710	
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f			262,410,378		
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)			3,203,004		3,203,004
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	2,027,139				
	b	Less rental expenses	1,630,964				
	c	Rental income or (loss)	396,175				
	d	Net rental income or (loss)			396,175		396,175
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	27,656,014	23,000			
	b	Less cost or other basis and sales expenses	21,225,728	174,730			
	c	Gain or (loss)	6,430,286	-151,730			
	d	Net gain or (loss)			6,278,556		6,278,556
	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	2,773,557			
	b	Less cost of goods sold	b	2,771,328			
	c	Net income or (loss) from sales of inventory			2,229		2,229
		Miscellaneous Revenue	Business Code				
	11a	MRI MR ASSOCIATES	621110		2,525,771	2,525,771	
	b	INVESTMENT PARTNERSHIP INCOME(LOS	900099		1,147,767	1,099,645	48,122
	c	MRI JOINT VENTURE	621110		-5,206,077	-5,206,077	
	d	All other revenue					
	e	**Total.** Add lines 11a–11d			-1,532,539		
	12	**Total revenue.** See Instructions			276,029,733	259,896,413	981,426	9,879,964

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	5,288,858	5,288,858		
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	2,514,089	2,514,089		
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	98,318,691	73,819,170	24,499,521	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	8,203,730	6,210,455	1,993,275	
9 Other employee benefits	15,316,423	11,594,964	3,721,459	
10 Payroll taxes	7,107,464	5,380,551	1,726,913	
11 Fees for services (non-employees)				
a Management	18,900	14,308	4,592	
b Legal	317,248	240,166	77,082	
c Accounting	168,777	127,769	41,008	
d Lobbying	28,019	21,211	6,808	
e Professional fundraising services See Part IV, line 17				
f Investment management fees	33,992	25,733	8,259	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	12,911,704	9,774,524	3,137,180	
12 Advertising and promotion	2,120,707	1,605,435	515,272	
13 Office expenses	60,534,640	45,826,430	14,708,210	
14 Information technology	6,525,346	4,939,871	1,585,475	
15 Royalties . .	16,500	12,491	4,009	
16 Occupancy	3,161,465	2,393,318	768,147	
17 Travel	295,761	223,899	71,862	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	29,346	22,216	7,130	
20 Interest	3,056,025	2,313,497	742,528	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	20,408,666	15,449,936	4,958,730	
23 Insurance	822,627	622,752	199,875	
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 CONTRACTED SERVICES	8,901,454	6,738,652	2,162,802	
b REPAIRS	6,391,533	4,838,571	1,552,962	
c EQUIPMENT RENTAL & MAIN	2,578,125	1,951,713	626,412	
d HUMAN RESOURCES	1,847,116	1,398,319	448,797	
e All other expenses	3,652,460	2,765,016	887,444	
25 **Total functional expenses.** Add lines 1 through 24e	270,569,666	206,113,914	64,455,752	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		632,661	1	917,080
	2	Savings and temporary cash investments		12,192,434	2	18,949,670
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		43,664,551	4	40,793,315
	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		396,056	7	701,174
	8	Inventories for sale or use		5,617,699	8	6,226,905
	9	Prepaid expenses and deferred charges		2,532,370	9	3,983,552
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 417,091,467			
	b	Less accumulated depreciation	10b 205,953,619	198,965,484	10c	211,137,848
	11	Investments—publicly traded securities		61,991,214	11	69,366,297
	12	Investments—other securities See Part IV, line 11		95,292,665	12	117,547,241
	13	Investments—program-related See Part IV, line 11		56,166,487	13	62,190,689
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		103,933	15	227,327
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		477,555,554	16	532,041,098
Liabilities	17	Accounts payable and accrued expenses		32,214,753	17	34,083,771
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		79,300,000	20	122,122,499
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		71,949,638	25	54,392,908
	26	**Total liabilities.** Add lines 17 through 25		183,464,391	26	210,599,178
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		260,620,347	27	284,551,909
	28	Temporarily restricted net assets		9,584,831	28	12,221,260
	29	Permanently restricted net assets		23,885,985	29	24,668,751
		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		294,091,163	33	321,441,920
	34	Total liabilities and net assets/fund balances		477,555,554	34	532,041,098

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	276,029,733
2	Total expenses (must equal Part IX, column (A), line 25)	2	270,569,666
3	Revenue less expenses Subtract line 2 from line 1	3	5,460,067
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	294,091,163
5	Net unrealized gains (losses) on investments	5	-1,439,756
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	23,330,446
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	321,441,920

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOHN-PAUL BESONG MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
LYDIA BROWN MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MICHELE BUSSE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
TIMOTHY CHARLES PRESIDENT & CHIEF EXECUTIVE OFFICER	40 00	X		X				481,635	0	152,404
JACK COSGROVE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHRIS DEWOLF MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BARRIE ERNST MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
TONY GOLOBIC MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER LUANN HANNASCH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DON HATTERY FORMER MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOE HLADKY FORMER MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
NANCY KASPAREK MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JAN KAZIMOUR MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BARB KNAPP MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
LEE LIU FORMER MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER TERRY MALTBY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
BRUCE MCGRATH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHERYLE MITVALSKY MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DARREL MORF MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DAVE NEUHAUS FORMER MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
RUE PATEL MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
FRED PILCHER MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MARK POSPISIL MD FORMER MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
MARY QUASS VICE CHAIRMAN	1 00	X		X				0	0	0
TOM REED MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SISTER LAURA REICKS FORMER MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
JOHN RIFE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
CHARLIE ROHDE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
AL RUFFALO MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
EMMETT SCHERRMAN TREASURER	1 00	X		X				0	0	0
KYLE SKOGMAN CHAIR	1 00	X		X				0	0	0
JOHN SMITH MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER MAURITA SOUKUP MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER SHARI SUTHERLAND SECRETARY	1 00	X		X				0	0	0
BOB VERHILLE MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
SISTER MARGARET WEIGEL MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
DEB WILBUR MD MEMBER BOARD OF TRUSTEES	1 00	X						0	0	0
PHILIP PETERSON CHIEF FINANCIAL OFFICER	40 00			X				328,637	0	61,332
JEFFREY CASH CHIEF INFORMATION OFFICER	40 00				X			249,035	0	47,219
DOUG JONTZ VP - HUMAN RESOURCES	40 00				X			203,378	0	21,494
LAURA REED CHIEF NURSING OFFICER	40 00				X			246,770	0	37,356
MICHAEL TRACTA CHIEF OPERATING OFFICER	40 00				X			397,026	0	64,453
MARK VALLIERE MD CHIEF MEDICAL OFFICER	40 00				X			339,337	0	108,074
DEE BROWN-EADIE EXECUTIVE DIRECTOR, CANCER	40 00					X		180,922	0	11,585
STEVE DRAKE VP MARKETING	40 00					X		149,142	0	17,145
HUI LI RADIATION PHYSICIST	40 00					X		247,052	0	26,784
SUNDARA MUNAGALA PSYCHIATRIST	40 00					X		272,293	0	21,473
DESMOND WATERS DIRECTOR, PHARMACY SERVICE	40 00					X		158,843	0	21,652

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

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2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	**Employer identification number**
MERCY MEDICAL CENTER	42-0698295

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ **Yes** ☐ **No**

4a Was a correction made? ☐ **Yes** ☐ **No**

b If "Yes," describe in Part IV

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ **Yes** ☐ **No**

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		28,019
j	Total Add lines 1c through 1i			28,019
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carry over lobbying and political expenditures from the prior year?	3		

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	23% OF MEMBERSHIP DUES TO THE IOWA HOSPITAL ASSOCIATION IS ATTRIBUTABLE TO LOBBYING ACTIVITIES, OR $26,813, AND 3% OF MEMBERSHIP DUES TO THE CATHOLIC HEALTH ASSOCIATION IS ATTRIBUTABLE TO LOBBYING ACTIVITIES, OR $1,206

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table

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

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

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

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	31,300,732	29,795,537	27,886,845	26,505,127	29,036,036
b	Contributions	514,737	1,481,261	151,882	234,657	2,000
c	Net investment earnings, gains, and losses	1,667,102	723,609	4,618,232	1,633,447	-2,532,909
d	Grants or scholarships	548,509				
e	Other expenditures for facilities and programs		135,675	2,317,922		
f	Administrative expenses		564,000	543,500	486,386	
g	End of year balance	32,934,062	31,300,732	29,795,537	27,886,845	26,505,127

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

- a Board designated or quasi-endowment ▶ 14 910 %
- b Permanent endowment ▶ 74 900 %
- c Temporarily restricted endowment ▶ 10 190 %

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

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes	

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		18,459,607		18,459,607
b Buildings		260,074,548	133,453,156	126,621,392
c Leasehold improvements				
d Equipment		135,606,624	70,325,925	65,280,699
e Other		2,950,688	2,174,538	776,150
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				211,137,848

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) MONEY MARKET FUNDS	2,124,756	F
(B) COMMERCIAL PAPER & CASH	27,684,023	F
(C) MUTUAL FUNDS, INVESTED IN CORP BONDS, LLPS, & REAL ESTATE	87,738,462	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	117,547,241	

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) INVESTMENT IN MERCY MEDICAL CENTER FOUNDATION	57,875,213	C
(2) DEFERRED FINANCING COSTS	1,079,224	C
(3) INVESTMENT IN CEDAR RAPIDS PHO	813,000	C
(4) SLEEP LAB JOINT VENTURE	1,151,000	C
(5) INVESTMENT IN MR ASSOCIATES	532,000	C
(6) INVESTMENT IN MEDICAL MALL	740,252	C
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶	62,190,689	

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

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

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
INTEREST RATE SWAP AGREEMENTS	9,749,837
PENSION LIABILITY	36,433,726
SELF INSURANCE RESERVES	7,245,215
THIRD PARTY SETTLEMENTS	736,803
NET EQUITY IN MERCY MEDICAL CENTER AUXILIARY	70,481
NET EQUITY IN MERCY MEDICAL CENTER FLOWER SHOP	156,846
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	54,392,908

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

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

1	Total revenue, gains, and other support per audited financial statements			1	296,871,180
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-1,439,756		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	21,547,380		
e	Add lines **2a** through **2d**			2e	20,107,624
3	Subtract line **2e** from line **1**			3	276,763,556
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	-733,823		
c	Add lines **4a** and **4b**			4c	-733,823
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	276,029,733

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

1	Total expenses and losses per audited financial statements			1	269,520,423
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	1,985,299		
e	Add lines **2a** through **2d**			2e	1,985,299
3	Subtract line **2e** from line **1**			3	267,535,124
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	3,034,542		
c	Add lines **4a** and **4b**			4c	3,034,542
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	270,569,666

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	MERCY HOSPITAL, CEDAR RAPIDS, IA ENDOWMENT FOUNDATION, INC , A RELATED ORGANIZATION, HOLDS THE ENDOWMENT FUNDS THE FOUNDATION'S ENDOWMENT FUNDS ARE USED FOR THE CANCER CENTER & CANCER PROGRAMS, NEUROSCIENCES, HOSPICE OF MERCY, HOSPICE HOUSE, PATIENT CARE, TRAUMA CENTER, THRIVE PROGRAM, FIT FAMILIES, HALLMAR, HUSTON FUND (RADIOLOGY), BENEFICIAL INTERESTS IN TRUSTS, WATTS LIBRARY, MERCY MEDICAL CENTER CAPITAL PROJECTS, AND GENERAL ENDOWMENT FUNDS TO BE USED AT THE BOARD OF DIRECTORS' DISCRETION
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE HOSPITAL IS A NOT-FOR-PROFIT CORPORATION AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND IS EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501 (A) OF THE CODE THE HOSPITAL FILES A FORM 990 (RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX) ANNUALLY WHEN THIS RETURN IS FILED, IT IS HIGHLY CERTAIN THAT SOME POSITIONS TAKEN WOULD BE SUSTAINED UPON EXAMINATION BY THE TAXING AUTHORITIES, WHILE OTHERS ARE SUBJECT TO UNCERTAINTY ABOUT THE MERITS OF THE TAX POSITION TAKEN OR THE AMOUNT OF THE POSITION THAT WOULD ULTIMATELY BE SUSTAINED EXAMPLES OF TAX POSITIONS COMMON TO HOSPITALS INCLUDE SUCH MATTERS AS THE FOLLOWING THE TAX EXEMPT STATUS OF THE ENTITY, THE CONTINUED TAX EXEMPT STATUS OF BONDS ISSUED BY THE OBLIGATED GROUP, THE NATURE, THE CHARACTERIZATION AND TAXABILITY OF JOINT VENTURE INCOME AND VARIOUS POSITIONS RELATIVE TO POTENTIAL SOURCES OF UNRELATED BUSINESS INCOME (UBI) UBI IS REPORTED ON FORM 990T, AS APPROPRIATE THE BENEFIT OF A TAX POSITION IS RECOGNIZED IN THE FINANCIAL STATEMENTS IN THE PERIOD DURING WHICH, BASED ON ALL AVAILABLE EVIDENCE, MANAGEMENT BELIEVES THAT IT IS MORE LIKELY THAN NOT THAT THE POSITION WILL BE SUSTAINED UPON EXAMINATION, INCLUDING THE RESOLUTION OF APPEALS OR LITIGATION PROCESSES, IF ANY TAX POSITIONS ARE NOT OFFSET OR AGGREGATED WITH OTHER POSITIONS TAX POSITIONS THAT MEET THE "MORE LIKELY THAN NOT" RECOGNITION THRESHOLD ARE MEASURED AS THE LARGEST AMOUNT OF TAX BENEFIT THAT IS MORE THAN 50% LIKELY TO BE REALIZED ON SETTLEMENT WITH THE APPLICABLE TAXING AUTHORITY THE PORTION OF THE BENEFITS ASSOCIATED WITH TAX POSITIONS TAKEN THAT EXCEEDS THE AMOUNT MEASURED AS DESCRIBED ABOVE IS REFLECTED AS A LIABILITY FOR UNCERTAIN TAX BENEFITS IN THE ACCOMPANYING BALANCE SHEET ALONG WITH ANY ASSOCIATED INTEREST AND PENALTIES THAT WOULD BE PAYABLE TO THE TAXING AUTHORITIES UPON EXAMINATION AS OF JUNE 30, 2013 AND 2012, THERE WERE NO UNCERTAIN TAX BENEFITS IDENTIFIED AND RECORDED AS A LIABILITY FORMS 990 AND 990T FILED BY THE HOSPITAL ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE (IRS) UP TO THREE YEARS FROM THE EXTENDED DUE DATE OF EACH RETURN
PART XI, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS 6,244,286 CHANGE IN UNRECOGNIZED FUNDED STATUS OF RETIREMENT PLAN 12,400,783 CHANGE IN INTEREST IN NET ASSETS OF MERCY MEDICAL CENTER FOUNDATION 5,402,311 GRANT TO MERCYARE SERVICE CORPORATION INCLUDED WITH REVENUES -2,500,000
PART XI, LINE 4B - OTHER ADJUSTMENTS		CAFETERIA COST OF GOODS SOLD NETTED WITH REVENUES -1,899,487 LOSS ON SALE OF ASSETS - 151,730 AUXILIARY AND GIFT SHOP REVENUE NOT INCLUDED IN AUDIT REPORT 27,337 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) 636,952 CHARITABLE CONTRIBUTION REVENUE INCLUDED WITH EXPENSES IN REPORT 65,918 NONCASH CONTRIBUTION REVENUE NOT REPORTED FOR BOOKS 52,645 ADDITIONAL CONTRIBUTION REVENUE NOT INCLUDED FOR BOOKS 534,542
PART XII, LINE 2D - OTHER ADJUSTMENTS		CAFETERIA COST OF GOODS SOLD NETTED WITH REVENUES 1,899,487 LOSS ON SALE OF FIXED ASSETS 151,730 CHARITABLE CONTRIBUTION REVENUE INCLUDED WITH EXPENSES IN REPORT -65,918
PART XII, LINE 4B - OTHER ADJUSTMENTS		GRANT TO MERCYCARE SERVICE CORPORATION INCLUDED WITH REVENUES 2,500,000 ADDITIONAL CONTRIBUTION EXPENSE NOT INCLUDED FOR BOOKS 534,542

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 100000 0000000000 %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			4,720,642	0	4,720,642	1 740 %
b Medicaid (from Worksheet 3, column a)			22,640,488	16,709,015	5,931,473	2 190 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			0	0		
d **Total** Financial Assistance and Means-Tested Government Programs			27,361,130	16,709,015	10,652,115	3 930 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			954,000	0	954,000	0 350 %
f Health professions education (from Worksheet 5)			1,820,000	1,133,000	687,000	0 250 %
g Subsidized health services (from Worksheet 6)			9,948,000	7,661,000	2,287,000	0 850 %
h Research (from Worksheet 7)			0	0		
i Cash and in-kind contributions for community benefit (from Worksheet 8)			368,000	0	368,000	0 140 %
j **Total.** Other Benefits			13,090,000	8,794,000	4,296,000	1 590 %
k **Total.** Add lines 7d and 7j			40,451,130	25,503,015	14,948,115	5 520 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing			20,162	0	20,162	0 010 %
2	Economic development			35,358	0	35,358	0 010 %
3	Community support			0	0		
4	Environmental improvements			0	0		
5	Leadership development and training for community members			325	0	325	0 %
6	Coalition building			516,355	0	516,355	0 190 %
7	Community health improvement advocacy			0	0		
8	Workforce development			7,734	0	7,734	0 %
9	Other			0	0		
10	**Total**			579,934		579,934	0 210 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	13,992,710		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	101,896,360
6	Enter Medicare allowable costs of care relating to payments on line 5	6	124,080,703
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-22,184,343
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1	1 MR ASSOCIATES LLP	MRI SERVICES	33 000 %	0 %	33 000 %
2	2 EASTERN IOWA SLEEP CENTER LLC	SLEEP STUDIES	33 000 %	0 %	33 000 %
3	3 CEDAR RAPIDS PHYSICIAN HOSPITAL ORGANIZATION	PAYOR CONTRACTING	39 000 %	0 %	61 000 %
4	4 PCI REGIONAL MED MALL LLC	MEDICAL SERVICES	10 000 %	0 %	80 000 %
5	5 PCI LENDER LLC	FINANCIAL SERVICES	7 500 %	0 %	85 000 %
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	MERCY MEDICAL CENTER 701 10TH STREET SE CEDAR RAPIDS,IA 52403 WWW MERCYCARE ORG	X	X		X			X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group MERCY MEDICAL CENTER

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 1000 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C NOT APPLICABLE
		PART I, LINE 6A NOT APPLICABLE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 MERCY MEDICAL CENTER UTILIZED WORKSHEET 2 TO CALCULATE ITS COST-TO-CHARGE RATIO, AND THIS RATIO WAS USED IN COMPUTING THE INFORMATION REPORTED IN PART I, LINE 7
		PART I, LINE 7G NO COSTS ASSOCIATED WITH A PHYSICIAN CLINIC WERE REPORTED IN SUBSIDIZED HEALTH SERVICES

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE WAS NOT INCLUDED IN THE DENOMINATOR BECAUSE IT WAS REPORTED ON LINE 2E OF PART VIII, STATEMENT OF REVENUE THE ORGANIZATION'S TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF TOTAL EXPENSES IS 14 95% THIS PERCENTAGE INCREASES TO 60 81% IF MEDICARE ALLOWABLE COSTS ARE INCLUDED IN THE TOTAL COMMUNTY BENEFIT EXPENSE
		PART II MERCY MEDICAL CENTER PARTICIPATED IN A NUMBER OF COMMUNITY BUILDING ACTIVITIES THAT PROMOTED THE HEALTH OF THE COMMUNITIES IT SERVES THIS WAS DONE THROUGH MERCY REPRESENTATION ON A NUMBER OF COALITIONS, COMMITTEES AND BOARDS ADDITIONALLY, MERCY SUPPORTED THE EFFORTS OF LOCAL ROTARY AND CHAMBER OF COMMERCE MERCY MADE FINANCIAL CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS THAT SUPPORT COMMUNITY-BUILDING EFFORTS, INCLUDING PHYSICAL IMPROVEMENTS, ECONOMIC DEVELOPMENT AND COMMUNITY SUPPORT MERCY PROVIDES REPRESENTATION ON THE FOLLOWING COMMUNITY-BUILDING COALITIONS, BOARDS, AND COMMITTEES - AGING SERVICES BOARD - BIG BROTHERS BIG SISTERS - CATHERINE MCAULEY CENTER BOARD - CEDAR RAPIDS CHAMBER OF COMMERCE - COMMUNITY EMERGENCY RESPONSE TEAM - MARION CHAMBER OF COMMERCE - DAYBREAK ROTARY - DIVERSITY FOCUS BOARD - HACAP BOARD - MEET ME AT THE MARKET COMMITTEE - SAFE KIDS LINN COUNTY COALITION - UNITED WAY TEAMS AND BOARD - WOMEN'S LEADERSHIP INITIATIVE - WILLIS DADY EMERGENCY SHELTER - YOUNG PARENTS NETWORK BOARD

Identifier	ReturnReference	Explanation
	PART III, LINE 2	BAD DEBT RECORDED IS THE UNPAID AMOUNT OF THE PATIENTS ACCOUNT, IT DOES NOT REFLECT GROSS ESTABLISHED CHARGES FOR PATIENTS WITH INSURANCE COVERAGE, THIS IS THE RESULTING PATIENT LIABILITY AFTER INSURANCE PAYMENTS AND CONTRACTUAL ALLOWANCES HAVE BEEN APPLIED TO THE ACCOUNT FOR PATIENTS WITHOUT INSURANCE COVERAGE, A DISCOUNT PERCENTAGE BASED ON CURRENT ORGANIZATION POLICY IS APPLIED TO GROSS ESTABLISHED CHARGES BEFORE THE PATIENT IS BILLED IF THEY DO NOT PAY THIS REMAINING AMOUNT AND DO NOT QUALIFY FOR FINANCIAL ASSISTANCE, THIS AMOUNT WOULD BE APPLIED TO BAD DEBT PAYMENTS RECEIVED AFTER AN ACCOUNT HAS BEEN WRITTEN OFF TO BAD DEBT ARE CREDITED TO A BAD DEBT RECOVERY ACCOUNT DISCOUNTS FROM INSURANCE OR SELF-PAY ACCOUNTS ARE WRITTEN OFF TO CONTRACTUAL ALLOWANCE ACCOUNTS
		PART III, LINE 4 PATIENT RECEIVABLES DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED LESS AMOUNTS COVERED BY THIRD-PARTY PAYORS AND LESS AN ESTIMATED ALLOWANCE FOR DOUBTFUL RECEIVABLES BASED ON A REVIEW OF ALL OUTSTANDING AMOUNTS ON A MONTHLY BASIS MANAGEMENT DETERMINES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BY IDENTIFYING TROUBLED ACCOUNTS, BY HISTORICAL EXPERIENCE APPLIED TO AN AGING OF ACCOUNTS AND BY CONSIDERING THE PATIENT'S FINANCIAL HISTORY, CREDIT HISTORY AND CURRENT ECONOMIC CONDITIONS THE HOSPITAL DOES NOT CHARGE INTEREST ON PATIENT RECEIVABLES PATIENT RECEIVABLES ARE WRITTEN OFF AS BAD DEBT EXPENSE WHEN DEEMED UNCOLLECTIBLE RECOVERIES OF RECEIVABLES PREVIOUSLY WRITTEN OFF ARE RECORDED AS A REDUCTION OF BAD DEBT EXPENSE WHEN RECEIVED

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COSTS SHOWN FOR THE MEDICARE SHORTFALL ARE BASED ON TOTAL CHARGES OF ALL MEDICARE AND MEDICARE REPLACEMENT (PART C) PATIENTS THE SHORTFALL IS CALCULATED BY MULTIPLYING THE TOTAL CHARGES BY THE COST TO CHARGE RATIO CALCULATED ON WORKSHEET 2, LESS PAYMENTS WE RECEIVED FOR THESE SERVICES THE MEDICARE COST REPORT IS NOT AN APPROPRIATE SOURCE TO DETERMINE THE COSTS FOR THESE PATIENTS MANY ITEMS, INCLUDING ALL OUTPATIENT SERVICES FOR PATIENTS WHO ARE COVERED BY A MEDICARE REPLACEMENT PLAN (PART C) AND MANY SERVICES SUCH AS LABORATORY, PHYSICAL AND OCCUPATIONAL THERAPY, AND OTHERS PAID ON A FEE FOR SERVICE BASIS, ARE NOT INCLUDED ON THE MEDICARE COST REPORT IN ADDITION, HOSPICE, HOME HEALTH, AND DIALYSIS SERVICES, ALTHOUGH INCLUDED IN MEDICARE COST REPORT, DO NOT SHOW THE COSTS AND PAYMENTS ASSOCIATED WITH THESE SERVICES FOR MEDICARE BENEFICIARIES FOR MERCY MEDICAL CENTER, 50% OF OUR GROSS CHARGES ARE GENERATED BY PATIENTS WITH MEDICARE AND MEDICARE REPLACEMENT (PART C) COVERAGE ANOTHER 8% OF OUR GROSS CHARGES ARE GENERATED BY PATIENTS WITH MEDICAID COVERAGE NEITHER GOVERNMENT PROGRAM HAS HISTORICALLY REIMBURSED ENOUGH TO COVER THE COSTS OF THE SERVICES PROVIDED TO THESE PATIENTS IF WE DID NOT SERVE THESE PATIENT POPULATIONS, ANOTHER FACILITY WOULD HAVE TO PROVIDE THE SERVICE OF THE 76,735 MEDICARE PATIENTS DISCHARGED IN THE 2013 FISCAL YEAR, 16 9% OF THEM HAD MEDICAID SECONDARY COVERAGE THIS DOES NOT REFLECT ANY OF THE PATIENTS WHOSE PRIMARY COVERAGE IS MEDICARE REPLACEMENT (PART C) POLICY BASED ON INFORMATION FROM THE AMERICAN HOSPITAL ASSOCIATION, APPROXIMATELY 20% OF MEDICARE BENEFICIARIES ARE DUALLY-ELIGIBLE AND ACCOUNT FOR APPROXIMATELY 59% OF A HOSPITAL'S MEDICARE BAD DEBT
		PART III, LINE 9B MERCY MEDICAL CENTER UNDERSTANDS PATIENTS MAY NOT HAVE THE ABILITY TO PAY FOR SERVICES NOR RECOGNIZE THE OPPORTUNITY THEY MAY HAVE TO RECEIVE FINANCIAL ASSISTANCE TO AID IN THIS PROCESS, MERCY MEDICAL CENTER HAS IMPLEMENTED A PRESUMPTIVE CHARITY ELIGIBILITY PROGRAM (PCEP) PATIENTS WHO QUALIFY FOR THIS PROGRAM DO NOT COMPLETE PAPERWORK MERCY MEDICAL CENTER UTILIZES AN OUTSIDE VENDOR TO ASSIST IN DETERMINING A PATIENT'S FINANCIAL RISK MERCY MEDICAL CENTER USES BILLING AND COLLECTION RECOMMENDATIONS FROM THE IOWA HOSPITAL ASSOCIATION THESE RECOMMENDATIONS INCLUDE - MERCY MEDICAL CENTER WILL PROVIDE THE SAME INFORMATION CONCERNING SERVICES AND CHARGES TO ALL PATIENTS - MERCY MEDICAL CENTER WILL NOT KNOWINGLY SEND A PATIENT'S BILL TO A COLLECTION AGENCY BEFORE INITIAL FINANCIAL ELIGIBILITY ASSISTANCE DETERMINATION HAS BEEN MADE - MERCY MEDICAL CENTER WILL REVIEW THE PATIENT'S RECORD TO DETERMINE IF REASONABLE EFFORTS WERE UNDERTAKEN TO ENSURE THAT FINANCIAL ASSISTANCE WAS OFFERED AND/OR IF FINANCIAL ASSISTANCE IS APPROPRIATE BEFORE ANY COLLECTION AGENCY ASSIGNMENT

Identifier	ReturnReference	Explanation
	PART III, LINE 3	NOT APPLICABLE
MERCY MEDICAL CENTER		PART V, SECTION B, LINE 3 LINN COUNTY PUBLIC HEALTH FACILITATED THE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) PROCESS THROUGH THE USE OF THE MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS (MAPP) THIS PROCESS INCLUDED THE FOLLOWING A COMMUNITY HEALTH STATUS ASSESSMENT (COLLECTION OF STATISTICAL DATA FROM MAJOR LEADING HEALTH INDICATORS), COMMUNITY THEMES AND STRENGTHS ASSESSMENT (FACILITATED DIALOGUES/FOCUS GROUPS THAT ARE CONDUCTED AMONG DIVERSE POPULATIONS), A LOCAL PUBLIC HEALTH SYSTEMS ASSESSMENT (AN EVENT THAT BRINGS TOGETHER COMMUNITY MEMBERS, AGENCIES, AND LEADERS TO IDENTIFY THE PUBLIC HEALTH SYSTEMS STRENGTHS AND WEAKNESSES), AND A FORCE OF CHANGE ASSESSMENT (AN IMPORTANT BRAINSTORMING ACTIVITY THAT IDENTIFIED FORCES THAT HAVE THE POTENTIAL TO AFFECT HEALTH OUTCOMES) SPECIFICALLY, LINN COUNTY PUBLIC HEALTH CONDUCTED A TOTAL OF 12 COMMUNITY DIALOGUES WITH VARIOUS GROUPS, INCLUDING MENTAL HEALTH SERVICES PLANNING COMMITTEE, WOMEN'S HEALTH NETWORK, FAMILY VIOLENCE PREVENTION COALITION, PARTNERSHIP FOR A DRUG FREE COMMUNITY, LAW ENFORCEMENT INTELLIGENCE NETWORK (HOUSED IN BENTON COUNTY), RESIDENTS IN TREATMENT AT THE HEART OF IOWA, SAFE KIDS COALITION, HEALTH LIVING COALITION/BLUE ZONES PROJECT SUBCOMMITTEES, SEXUAL HEALTH ALLIANCE OF LINN AND JOHNSON COUNTIES, PROVIDERS WITH THE LINN COUNTY MEDICAL SOCIETY AND ENVIRONMENTAL PUBLIC HEALTH WORK GROUP BENTON COUNTY PUBLIC HEALTH CONDUCTED TWO ADDITIONAL COMMUNITY DIALOGUES WITHIN BENTON COUNTY IN ADDITION, THE COMMUNITY HEALTH NEEDS ASSESSMENT STEERING COMMITTEE INCLUDED INDIVIDUALS FROM THE FOLLOWING ORGANIZATIONS BENTON COUNTY PUBLIC HEALTH/VIRGINIA GAY HOSPITAL, CEDAR COUNTY, COMMUNITY HEALTH FREE CLINIC, HACAP, HIS HANDS FREE MEDICAL CLINIC, JOHNSON COUNTY PUBLIC HEALTH, JONES REGIONAL MEDICAL CENTER, LINN COMMUNITY CARE, LINN COUNTY PUBLIC HEALTH, MERCY MEDICAL CENTER, UNITYPOINT HEALTH - ST LUKE'S HOSPITAL AND UNITED WAY OF EAST CENTRAL IOWA MERCY MEDICAL CENTER VALIDATED THE IDENTIFIED NEEDS WITH MERCY'S PRIMARY CARE NETWORK OF PHYSICIANS AND THE HOSPITAL'S QUALITY STEERING COMMITTEE

Identifier	ReturnReference	Explanation
MERCY MEDICAL CENTER		PART V, SECTION B, LINE 4 LINN COUNTY PUBLIC HEALTH FACILITATED A CHNA FOR UNITYPOINT HEALTH - ST LUKE'S HOSPITAL AND MERCY MEDICAL CENTER BOTH HOSPITALS ARE LOCATED IN CEDAR RAPIDS, IA
MERCY MEDICAL CENTER		PART V, SECTION B, LINE 7 SEXUAL HEALTH WAS IDENTIFIED AS A HIGH PRIORITY FOR LINN AND JOHNSON COUNTIES TO ADDRESS THIS NEED, MERCY MEDICAL CENTER HAS SEXUAL ASSAULT NURSE EXAMINERS LOCATED IN THE ED AND THEY PARTICIPATE ON THE LINN COUNTY SEXUAL ASSAULT RESPONSE TEAM MERCY WILL NOT BE FURTHER ADDRESSING THIS NEED BECAUSE THE LINN COUNTY PUBLIC HEALTH DEPARTMENT CURRENTLY OFFERS EXTENSIVE SERVICES IN THIS AREA THESE SERVICES INCLUDE COORDINATING THE SEXUAL HEALTH ALLIANCE OF LINN AND JOHNSON COUNTIES COALITION (A MERCY PHYSICIAN SERVES ON THIS COALITION), OFFERING HIV TESTS AND FREE STD EXAMINATIONS AND TREATMENT, CONDUCTING STD PARTNER TRACKING FOLLOW-UP SERVICES, OFFERING FREE CONDOMS, DENTAL DAMS AND LUBRICANT, PROVIDING OFFSITE STD/HIV TESTING TO HIGH-RISK COMMUNITY AGENCIES AND EVENTS WITH HIGH-RISK POPULATIONS, AND MONITORING POPULATION HEALTH CHANGES THROUGH PUBLIC HEALTH SURVEILLANCE VIOLENCE, INJURY PREVENTION, ENVIRONMENTAL HEALTH AND PRENATAL/EARLY CHILDHOOD HEALTH WERE OTHER KEY HEALTH PRIORITIES ANALYZED IN THE CHNA HOWEVER, THEY WERE NOT IDENTIFIED AS HIGH PRIORITY AREAS DUE TO LIMITED DATA AND/OR THE LOWER INCIDENCE OR PREVALENCE RATES WHEN COMPARED TO STATE AND NATIONAL RATES FOR THIS REASON, MERCY WILL NOT BE ADDRESSING THESE NEEDS BEYOND CURRENT PROGRAMMING

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 MERCY MEDICAL CENTER UNDERSTANDS THE NEED FOR ONGOING ASSESSMENT AND USES DATA AND INFORMATION OBTAINED FROM HOSPITAL CHARITY CARE CASES, COMMUNITY FREE CLINICS, UNITED WAY AND COUNTY HEALTH RANKING REPORTS TO MODIFY CURRENT ACTIVITIES AND CREATE NEW PROGRAMS TO ADDRESS HEALTH NEEDS ADDITIONALLY, MERCY MEDICAL CENTER RECEIVES REQUESTS FROM LOCAL NON-PROFIT ORGANIZATIONS FOR FINANCIAL AND IN-KIND SUPPORT TO ADDRESS COMMUNITY NEEDS FOR WHICH THEY PROVIDE PROGRAMS AND SERVICES MERCY MEDICAL CENTER UTILIZES ALL OF THIS INFORMATION, IN ADDITION TO THE CHNA TO COMPLETE A COMMUNITY BENEFIT PLAN FOR THE HOSPITAL EACH YEAR
		PART VI, LINE 3 MERCY MEDICAL CENTER IS COMMITTED TO PROVIDING ACCESS TO QUALITY HEALTHCARE WITH COMPASSION, DIGNITY AND RESPECT FOR ALL THOSE WE SERVE, PARTICULARLY THE POOR AND UNDERSERVED, CARING FOR ALL PERSONS REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES, ASSISTING PATIENTS WHO CANNOT PAY FOR PART OR ALL OF THE CARE THEY RECEIVE AND COMMUNICATING INFORMATION ABOUT FINANCIAL ASSISTANCE IN A CLEAR AND CONSISTENT MANNER MERCY MEDICAL CENTER INFORMS PATIENTS AND PERSONS WHO MAY BE BILLED FOR PATIENT CARE IN THE FOLLOWING WAYS MERCY MEDICAL CENTERS BILLING AND COLLECTION POLICIES ALONG WITH THE LIST OF ALL FINANCIAL RESOURCES ARE PROVIDED IN BROCHURES, ARE INCLUDED IN PATIENT REGISTRATION PACKETS, INCLUDED IN HOSPITAL BILLING STATEMENTS AND POSTED IN KEY PUBLIC AREAS PATIENTS ARE EDUCATED ABOUT THEIR RESPONSIBILITIES, THE POTENTIAL FINANCIAL OBLIGATION THEY MAY INCUR, THEIR OBLIGATIONS FOR COMPLETING ELIGIBILITY DOCUMENTATIONS AND THE HOSPITALS BILLING AND COLLECTION POLICIES PATIENTS ARE REFERRED TO AND/OR PROVIDED WITH ASSISTANCE TO COMPLETE MEDICAID, STATE INSURANCE EXCHANGE PRODUCTS OR OTHER LOCAL FUNDING APPLICATIONS MERCY MEDICAL CENTER PROVIDES THESE SERVICES UTILIZING INTERPRETER SERVICES IF NECESSARY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 MERCY MEDICAL CENTER SERVES A PRIMARY SERVICE AREA (PSA) OF LINN COUNTY AND A SECONDARY SERVICE AREA (SSA) OF EIGHT CONTIGUOUS COUNTIES (BENTON, BUCHANAN, CEDAR, DELAWARE, IOWA, JOHNSON, JONES AND TAMA) 17 8% OF MERCY'S INPATIENT DISCHARGES AND OUTPATIENT VISITS COME FROM THE SECONDARY SERVICE AREA THE TOTAL POPULATION OF LINN COUNTY IN 2012 IS 215,295 THE TOTAL POPULATION OF BOTH PRIMARY AND SECONDARY SERVICE AREAS IS 488,735 THE PROJECTED 10-YEAR POPULATION GROWTH FOR THE PSA IS 1% AND THE SSA, 1%, ANNUALLY - 13 4% OF PERSONS LIVING IN MERCY'S COMBINED SERVICE AREA ARE AGE 65 OR OLDER - 93 3% ARE HIGH SCHOOL GRADUATES, WHILE 32 3% HOLD A BACHELOR'S DEGREE OR HIGHER - THE MEDIAN HOUSEHOLD INCOME IS $53,722 - THE PERCENTAGE OF PEOPLE LIVING BELOW POVERTY LEVEL IS 11 7%, AS COMPARED TO 11 9% FOR ALL OF IOWA - THE IOWAN UNINSURED RATE IS 11% THE UNINSURED RATE IN LINN COUNTY IS 9% THE EIGHT CONTIGUOUS UNINSURED RATES RANGE FROM 8 TO 14% - THE AVERAGE PERSONS PER HOUSEHOLD ARE 2 42 DEMOGRAPHICS FOR THE COMBINED SERVICE AREA ARE AS FOLLOWS - 49 7% MALE, 50 3% FEMALE - 91 5% CAUCASIAN - 3 5% AFRICAN AMERICAN - 0 5% NATIVE AMERICAN - 2 6% ASIAN/PACIFIC - 1 9% TWO OR MORE RACES - 3 3% HISPANICAS OF AUGUST 2013, THE UNEMPLOYMENT RATE FOR LINN COUNTY IS 4 9% THE EIGHT CONTIGUOUS UNEMPLOYMENT RATES RANGE FROM 3 8 TO 5 2% LINN COUNTY FEATURES A DIVERSE EMPLOYER BASE, INCLUDING MANUFACTURING, TRADE, EDUCATION, SERVICE, FINANCE AND AGRICULTURE UNITYPOINT HEALTH - ST LUKE'S HOSPITAL IS LOCATED IN LINN COUNTY AND SERVES THE SAME GEOGRAPHIC SERVICE AREA AS MERCY MEDICAL CENTER ADDITIONALLY, THE UNIVERSITY OF IOWA AND MERCY HOSPITAL ARE LOCATED IN JOHNSON COUNTY AND VIRGINIA GAY HOSPITAL IS LOCATED IN BENTON COUNTY
		PART VI, LINE 5 MERCY MEDICAL CENTER CONTRIBUTES TO THE HEALTH OF THE COMMUNITIES IT SERVES IN A NUMBER OF WAYS MERCY PROVIDES REPRESENTATION ON SEVERAL COMMUNITY BOARDS, COALITIONS AND COMMITTEES ADDRESSING HEALTH NEEDS EXAMPLES INCLUDE - THE ARC OF EAST CENTRAL IOWA BOARD - ALZHEIMER'S ASSOCIATION BOARD - BLUE ZONES PROJECT COMMITTEES - COMMUNITY HEALTH FREE CLINIC BOARD - GEMS OF HOPE BOARD - PARTNERSHIP FOR A DRUG-FREE COMMUNITY COALITIION - SEXUAL ASSAULT RESPONSE TEAM OF LINN COUNTYMERCY HONORED THE LIFETIME ACCOMPLISHMENTS OF SR MARY LAWRENCE HALLAGAN WITH A NON-PROFIT COMMUNITY CENTER THAT OPENED SEPT 6, 2011 TO PROVIDE SPACE AND DIRECT CLIENT SERVICES TO NONPROFIT ORGANIZATIONS AT 420 6TH STREET, CEDAR RAPIDS TENANTS INCLUDE GEMS OF HOPE, KIDS FIRST LAW CENTER, YOUNG PARENTS NETWORK AND BOYS & GIRLS CLUB, CATHOLIC CHARITIES, AND METRO CATHOLIC OUTREACH THESE AGENCIES SHARE MERCY'S VISION TO ENHANCE THE HEALTH AND WELL-BEING OF OUR COMMUNITY TOGETHER, WE MAKE A DIFFERENCE IN THE LIVES OF MANY MERCY LEASES THE SPACE FOR $1 PER YEAR, PLUS THE COST OF MONTHLY UTILITIES MERCY SUPPORTS THE CEDAR RAPIDS MEDICAL SELF-SUPPORTED MUNICIPAL IMPROVEMENT DISTRICT THE MEDICAL QUARTER REGIONAL MEDICAL DISTRICT (MEDQUARTER) TO ENHANCE OUR COMMUNITY'S NATIONALLY RECOGNIZED REPUTATION FOR HIGH-QUALITY, LOW-COST CARE WITH A CONCENTRATED AREA OF MEDICAL SERVICES THAT ARE EASILY ACCESSIBLE MERCY MEDICAL CENTER PARTNERS WITH UNITYPOINT HEALTH - ST LUKE'S HOSPITAL TO SUPPORT A FAMILY PRACTICE RESIDENCY PROGRAM A COMMUNITY-BASED PROGRAM UNDERSCORES A COMMITMENT TO THE CONCEPT OF THE PATIENT-CENTERED MEDICAL HOME THE MEDICAL HOME IS A COMMUNITY HEALTH CENTER, A FEDERALLY QUALIFIED HEALTH CENTER, ONE WHICH ALLOWS RESIDENTS TO CARE FOR THE NEEDS OF BOTH RURAL AND URBAN UNDERSERVED POPULATIONS MERCY MEDICAL CENTER HAS COMMITTED A FULL-TIME EQUIVALENT TO THE ROLE OF MANAGER, COMMUNITY BENEFIT AND MISSION OUTREACH MINISTRIES IN ADDITION, MERCY ADMINISTRATION BUDGETS 2 HOURS PER FULL-TIME EQUIVALENT THAT IS USED TO SUPPORT COMMUNITY BENEFIT VOLUNTEER ACTIVITIES AND PRECEPTING IN THE PAST YEAR, MERCY MEDICAL CENTER EMPLOYEES ACCRUED 20,986 COMMUNITY BENEFIT HOURS, OR 7 62 HOURS PER FULL-TIME EMPLOYEE THE HOSPITAL ALSO HAS A SUPPORTIVE COMMITTEE STRUCTURE THAT WORKS WITH THE MANAGER OF COMMUNITY BENEFIT AND MISSION OUTREACH MINISTRIES IN DEVELOPING THE COMMUNITY BENEFIT PLAN AND EVALUATING THE IMPACT OF PROGRAMS AND ACTIVITIES ESTABLISHED TO MEET GAPS IN CARE WITHIN THE PRIMARY AND SECONDARY SERVICE AREAS THE COMMITTEES REFERENCED ABOVE ARE THE HOSPITAL COMMUNITY BENEFIT COMMITTEE, CONSISTING OF SEVERAL HOSPITAL AND CLINIC REPRESENTATIVES, AND THE HOSPITAL BOARD COMMITTEE FOR COMMUNITY BENEFIT THE MANAGER OF COMMUNITY BENEFIT AND MISSION OUTREACH MINISTRIES REPORTS TO THE VICE PRESIDENT OF MISSION INTEGRATION, WHO REPORTS TO THE PRESIDENT & CHIEF EXECUTIVE OFFICER (CEO) MERCY MEDICAL CENTER MAINTAINS AN OPEN MEDICAL STAFF, AS PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS MERCY MEDICAL CENTER'S BOARD OF TRUSTEES IS MADE UP OF VOLUNTEERS, THE MAJORITY OF WHOM ARE RESIDENTS WITHIN THE PSA THE BOARD CONSISTS OF 30 MEMBERS WHO ARE NEITHER EMPLOYEES NOR CONTRACTORS OF THE ORGANIZATION THE GOVERNANCE STRUCTURE ENSURES THAT COMMUNITY INTERESTS ARE REPRESENTED IN DECISION-MAKING FOR THE ORGANIZATION IN ADDITION, FIVE SEATS ARE ALLOCATED TO WOMEN RELIGIOUS WHO ENSURE THE ORGANIZATION REMAINS TRUE TO ITS CHARITABLE MISSION

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	IA

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 21

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

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

Part IV **Supplemental Information.**

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ALL CHECKS ARE ISSUED DIRECTLY TO THE ORGANIZATION TO BE USED AT THEIR DISCRETION

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MERCYCARE SERVICE CORPORATION701 10TH STREET SE CEDAR RAPIDS,IA 52403	42-1199429	501(C)(3)	2,500,000				FOR USE IN CONTINUING OPERATIONS
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION701 10TH STREET SE CEDAR RAPIDS,IA 52403	51-0233180	501(C)(3)	375,407				FOR USE IN CONTINUING OPERATIONS

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
ALZHEIMER'S DISEASE & RELATED DISORDERS ASSOCIATION317 7TH AVENUE SE STE 402 CEDAR RAPIDS,IA 52401	42-1333384	501(C)(3)	7,500				GENERAL SUPPORT
AMERICAN CANCER SOCIETY INC MIDWEST DIVISION INCN19 W24350 RIVERWOOD DRIVE WAUKESHA,WI 53188	41-0724036	501(C)(3)	43,500				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

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AMERICAN DIABETES ASSOCIATION INC1701 N BEAUREGARD STREET ALEXANDRIA,VA 22311	13-1623888	501(C)(3)	10,000				GENERAL SUPPORT
DIVERSITY FOCUS222 SECOND STREET SE CEDAR RAPIDS,IA 52401	20-3420207	501(C)(3)	11,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
AFRICAN AMERICAN HERITAGE FOUNDATION55 12TH AVENUE SE CEDAR RAPIDS,IA 52401	42-1415305	501(C)(3)	5,500				GENERAL SUPPORT
AMERICAN HEART ASSOCIATION INC7272 GREENVILLE AVENUE DALLAS,TX 75231	13-5613797	501(C)(3)	6,500				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
JDRF INTERNATIONAL26 BROADWAY 14TH FLOOR NEW YORK,NY 10004	23-1907729	501(C)(3)	10,600				GENERAL SUPPORT
LINN COUNTY MEDICAL SOCIETY813 1ST AVENUE SE CEDAR RAPIDS,IA 52402	23-7410746	501(C)(6)	5,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
THE CATHERINE MCAULEY CENTER INC866 4TH AVENUE SE CEDAR RAPIDS,IA 52403	42-1342872	501(C)(3)	5,000				GENERAL SUPPORT
CEDAR RAPIDS CITY MARKET INC1100 3RD STREET CEDAR RAPIDS,IA 52401	27-0600567	501(C)(3)	5,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
ENTREPRENEURIAL DEVELOPMENT CENTER INC230 2ND STREET SE STE 212 CEDAR RAPIDS,IA 52401	42-1447565	501(C)(6)	20,000				GENERAL SUPPORT
FOUR OAKS FAMILY AND CHILDREN SERVICES5400 KIRKWOOD BLVD SW CEDAR RAPIDS,IA 52404	42-0998726	501(C)(3)	10,500				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
CEDAR RAPIDS METRO ECONOMIC ALLIANCE FOUNDATION501 FIRST STREET SE CEDAR RAPIDS,IA 52401	42-1206276	501(C)(3)	6,045				GENERAL SUPPORT
COALITION TO PROTECT AMERICA'S HEALTH CARE PO BOX 30211 BETHESDA,MD 20824	52-2253225	501(C)(4)	5,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
JUNIOR ACHIEVEMENT324 3RD STREET SE STE 200 CEDAR RAPIDS,IA 52401	42-0919209	501(C)(3)	7,253				GENERAL SUPPORT
CEDAR RAPIDS SYMPHONY ORCHESTRA ASSOCIATION INC119 3RD AVENUE SE CEDAR RAPIDS,IA 52401	42-0772544	501(C)(3)	15,000				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
IOWA HEALTHCARE COLLABORATIVE100 EAST GRAND STE 360 DES MOINES,IA 50309	20-3869767	501(C)(3)	10,000				GENERAL SUPPORT
UNITED WAY OF EAST CENTRAL IOWA317 7TH AVENUE SE STE 401 CEDAR RAPIDS,IA 52401	42-0861239	501(C)(3)	18,900				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
STATE UNIVERSITY OF IOWA FOUNDATIONPO BOX 4550 IOWA CITY,IA 52244	42-0796760	501(C)(3)	6,000				GENERAL SUPPORT
GEMS OF HOPE INC420 6TH STREET SE CEDAR RAPIDS,IA 52401	20-3155610	501(C)(3)	5,750				GENERAL SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
WAYPOINT SERVICES FOR WOMEN CHILDREN & FAMILIES318 5TH STREET SE CEDAR RAPIDS,IA 52401	42-0680307	501(C)(3)	10,000				GENERAL SUPPORT
ZACH JOHNSON FOUNDATIONPO BOX 2336 CEDAR RAPIDS,IA 52406	27-2683100	501(C)(3)	6,500				GENERAL SUPPORT

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	TRAVEL FOR COMPANIONS LIMITED TRAVEL FOR COMPANIONS IS PAID BY THE ORGANIZATION ON BEHALF OF TOP MANAGEMENT IN TAX YEAR 2012, TIMOTHY CHARLES, AN OFFICER AND TRUSTEE REPORTED IN PART VII, RECEIVED THIS BENEFIT THE AMOUNT IS INCLUDED IN REPORTABLE COMPENSATION AS REPORTED ON FORM 990, PART VII AND SCHEDULE J, PART II
	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN IN 2012 PHILIP PETERSON - $18,805, MICHAEL TRACHTA - $22,187, TIMOTHY CHARLES - $29,322, MARK VALLIERE - $23,500, LAURA REED - $14,194, AND JEFFREY CASH - $14,400 THE DOLLAR AMOUNT REPRESENTS THE CURRENT YEAR CONTRIBUTION MADE BY THE ORGANIZATION ON BEHALF OF THE INDIVIDUALS TO THE PLAN IN 2012
	PART I, LINE 7	MERCY MEDICAL CENTER EXECUTIVES RECEIVE AN ANNUAL INCENTIVE COMPENSATION BONUS BASED ON WHETHER THEY MEET SPECIFIC CRITERIA A PORTION OF THE BONUS IS BASED ON FINANCIAL RESULTS AS WELL AS OTHER METRICS IF CERTAIN GOALS ARE ATTAINED THE MAXIMUM PAYMENT AMOUNT IS 40% OF SALARY

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
TIMOTHY CHARLES	(I)	415,880	37,837	27,918	139,933	12,471	634,039	0
	(II)	0	0	0	0	0	0	0
PHILIP PETERSON	(I)	264,222	54,404	10,011	48,305	13,027	389,969	0
	(II)	0	0	0	0	0	0	0
JEFFREY CASH	(I)	204,426	36,496	8,113	33,341	13,878	296,254	0
	(II)	0	0	0	0	0	0	0
DOUG JONTZ	(I)	176,414	19,048	7,916	10,311	11,183	224,872	0
	(II)	0	0	0	0	0	0	0
LAURA REED	(I)	200,005	38,574	8,191	26,671	10,685	284,126	0
	(II)	0	0	0	0	0	0	0
MICHAEL TRACTA	(I)	312,293	66,158	18,575	51,687	12,766	461,479	0
	(II)	0	0	0	0	0	0	0
MARK VALLIERE MD	(I)	328,680	0	10,657	88,435	19,639	447,411	0
	(II)	0	0	0	0	0	0	0
DEE BROWN-EADIE	(I)	170,902	0	10,020	0	11,585	192,507	0
	(II)	0	0	0	0	0	0	0
STEVE DRAKE	(I)	132,776	15,898	468	7,610	9,535	166,287	0
	(II)	0	0	0	0	0	0	0
HUI LI	(I)	246,776	0	276	11,857	14,927	273,836	0
	(II)	0	0	0	0	0	0	0
SUNDARA MUNAGALA	(I)	271,979	0	314	12,853	8,620	293,766	0
	(II)	0	0	0	0	0	0	0
DESMOND WATERS	(I)	151,217	7,626	0	6,472	15,180	180,495	0
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF CEDAR RAPIDS IOWA	42-6004336	150543AA4	04-10-2003	30,000,000	REIMBURSE HOSPITAL FOR COSTS OF ACQUIRING AND CONSTRUCTING FACILITIES		X		X		X
B	CITY OF CEDAR RAPIDS IOWA	42-6004336	150543AB2	11-17-2005	58,405,000	ADVANCE REFUND OF 1999 BONDS		X		X		X
C	IOWA FINANCE AUTHORITY	52-1699886	462466EQ2	12-13-2012	45,604,359	REIMBURSE HOSPITAL FOR CAPIT		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	30,000,000	58,405,000	45,604,359	
4	Gross proceeds in reserve funds	2,125,000		2,125,000	
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	1,288,620	1,552,500	604,359	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	28,711,380		45,000,000	
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2003	2005	2013	

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

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		
2	Are there any lease arrangements that may result in private business use of bond-financed property?		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		
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		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		X		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		
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			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X	X			
b	Exception to rebate?		X		X		X		
c	No rebate due?	X		X			X		
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X			X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X		X			X		
b	Name of provider	UBS AG		UBS AG					
c	Term of hedge	29 000000000000		24 000000000000					
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation
SCHEDULE K PART IV, ARBITRAGE, LINE 2C	DATE REBATE COMPUTATION PERFORMED	ISSUER NAME CITY OF CEDAR RAPIDS, IOWA DATE THE REBATE COMPUTATION WAS PERFORMED 10/01/2008 ISSUER NAME CITY OF CEDAR RAPIDS, IOWA DATE THE REBATE COMPUTATION WAS PERFORMED 09/01/2009

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) TIMOTHY CHARLES	PRESIDENT & CHIEF EXECUTIVE OFFICER	PERSONAL		X	75,000	21,429		No	Yes		Yes	
Total			▶ $			21,429						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) MERCY CARE MANAGEMENT INC	SEE BELOW IN PART V	650,000	MERCY CARE MANAGEMENT, INC PAID MERCY MEDICAL CENTER RENT		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE L, PART IV, COLUMN B	DESCRIPTION OF RELATIONSHIP - MERCY CARE MANAGEMENT, INC	TIMOTHY CHARLES, EMMETT SCHERRMAN, AND KYLE SKOGMAN ARE OFFICERS AND JAN KAZIMOUR, BRUCE MCGRATH, AND BOB VERHILLE ARE MEMBERS OF THE BOARD OF TRUSTEES OF MERCY MEDICAL CENTER AND ARE REPORTED ON THE FORM 990, PART VII DURING THE TAX YEAR, ALL THE AFOREMENTIONED INDIVIDUALS WERE MEMBERS OF THE BOARD OF DIRECTORS OF MERCY CARE MANAGEMENT, INC

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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	X	1	52,645	FAIR MARKET VALUE
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (_____)				
26	Other ▶ (_____)				
27	Other ▶ (_____)				
28	Other ▶ (_____)				

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

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

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	
	FORM 990, PART VI, SECTION A, LINE 7A	AS THE SOLE MEMBER OF MERCY MEDICAL CENTER, MERCY CARE SERVICE CORPORATION HAS THE EXCLUSIV E POWER TO APPOINT, AFTER CONSIDERATION OF ANY RECOMMENDATIONS FROM THE CORPORATION'S BOAR D OF TRUSTEES, ANY TRUSTEE TO THE CORPORATION'S BOARD AND TO REMOVE ANY TRUSTEE FROM THE C ORPORATION'S BOARD AT ANY TIME FOR ANY REASON
	FORM 990, PART VI, SECTION A, LINE 7B	AS THE SOLE MEMBER OF MERCY MEDICAL CENTER, MERCY CARE SERVICE CORPORATION HAS THE POWER TO APPROVE THE FOLLOWING ACTIONS 1 AMEND, REPEAL, OR RESTATE THE ARTICLES OF INCORPORATION , 2 ANY MATTER DIRECTLY RELATED TO THE RELIGIOUS PRINCIPLES AND MORAL PHILOSOPHY OF THE S ISTERS OF MERCY, 3 ADOPT OR CHANGE THE PHILOSOPHY AND MISSION OF THE CORPORATION, 4 SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE CORPORATION, AND MERGER OR CONSOLIDATION OF THE CORPORATION WITH ANOTHER ENTITY, 5 DISSOLUTION OF THE CORPORATION, 6 ADOPTION OR AMENDMENT TO LONG-TERM STRATEGIC PLANS, 7 ADOPTION OR AMENDMENT TO ANNUAL CAPITAL OR OPE RATING BUDGETS, AND 8 APPOINTMENT OR REMOVAL OF THE CHIEF EXECUTIVE OFFICER OF THE CORPOR ATION
	FORM 990, PART VI, SECTION B, LINE 11	THE 990 IS REVIEWED WITH THE EXECUTIVE COMMITTEE (SUBCOMMITTEE OF THE BOARD OF TRUSTEES) P RIOR TO FILING THE FORM THE COMMITTEE IS PROVIDED WITH GENERAL BACKGROUND INFORMATION REG ARDING THE FORM 990, AND THE FORM ITSELF (INCLUDING ATTACHMENTS) IS REVIEWED UPON REQUEST , THE TAX RETURN WILL BE AVAILABLE FOR REVIEW BY THE BOARD OF TRUSTEES MEMBERS OF THE EXE CUTIVE COMMITTEE AND MANAGEMENT ARE AVAILABLE TO ANSWER QUESTIONS FROM THE TRUSTEES ON THE RETURN
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REQUIRES ALL DIRECTORS, OFFICERS, AND KEY EMPLOYEES, AS WELL AS EACH EMPL OYEE TO DISCLOSE ANY INTEREST IN, OBLIGATION OR DUTY TO, OR ACTIVITY FOR ANY CONCERN IN WH ICH A DIRECTOR, OFFICER, KEY EMPLOYEE, OR EMPLOYEE OR THEIR FAMILY MEMBER MAY BE INVOLVED THAT MIGHT CREATE AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST OR MIGHT HAVE THE APPEARANC E OF ADVERSELY AFFECTING THE DIRECTOR'S, OFFICER'S, KEY EMPLOYEE'S, OR EMPLOYEE'S JUDGMENT OR ACTIONS IN PERFORMING HIS/HER DUTIES TOWARDS MERCY ALL DIRECTORS, OFFICERS, KEY EMPLO YEES, AND EMPLOYEES SHALL FILE AN INITIAL CONFLICT OF INTEREST REPORT UPON HIRE AND SHALL BE REQUIRED TO FILE AN UPDATED REPORT IMMEDIATELY IF ANY CHANGES OCCUR WHICH RESULT IN A C ONFLICT OF INTEREST OR FINANCIAL INTEREST ALL DIRECTORS, OFFICERS, KEY EMPLOYEES, AND EMP LOYEES (SUPERVISOR AND ABOVE), PHYSICIANS, AND ANY EMPLOYEE IN A POSITION TO INFLUENCE A P URCHASE DECISION SHALL RE-SUBMIT A CONFLICT OF INTEREST DISCLOSURE STATEMENT, WITH ANY NEC ESSARY CHANGES, EACH YEAR AND IMMEDIATELY IF ANY ADDITIONAL CONFLICTING OR FINANCIAL INTER EST ARISE. ALL BOARD MEMBERS SHALL SUBMIT IN WRITING A CONFLICT OF INTEREST DISCLOSURE STA TEMENT LISTING ALL FINANCIAL AND CONFLICTING INTERESTS THE STATEMENT SHALL BE RESUBMITTED WITH ANY NECESSARY CHANGES EACH YEAR AND AS ANY ADDITIONAL CONFLICTING OR FINANCIAL INTER EST ARISE
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION OF THE ORGANIZATION'S TOP MANAGEMENT IS SET BY THE COMPENSATION COMMITTEE. TH E COMMITTEE USES MCGLADREY & PULLEN LLP FOR THE REVIEW OF SALARIES AND COMPARES THEM TO CO MPARABLE ENTITIES IN THE REGION THIS PROCESS WAS LAST COMPLETED ON APRIL 17, 2013
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE TO THE PUBLIC
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN ADDITIONAL MINIMUM LIABILITY FOR RETIREMENT BENEFITS 12,400,783 CHANGE IN INTER EST IN NET ASSETS OF FOUNDATION 5,402,311 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGRE EMENTS 6,244,286 BOOK/TAX DIFFERENCE IN PARTNERSHIP INCOME(LOSS) - 636,952 CHANGE IN INTE REST IN NET ASSETS OF AUXILIARY AND GIFT SHOP -27,337 NONCASH CONTRIBUTION NOT RECORDED F OR BOOK PURPOSES -52,645
	FORM 990, PART XII, LINE 2C	THE OVERSIGHT AND SELECTION PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MERCY MEDICAL CENTER

Employer identification number
42-0698295

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
(1) MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION INC 701 10TH STREET SE CEDAR RAPIDS, IA 52403 51-0233180	FUNDRAISING FOR MERCY MEDICAL CENTER	IA	501(C)(3)	LINE 11B, II	MERCY MEDICAL CENTER	Yes	
(2) MERCYCARE SERVICE CORPORATION 701 10TH STREET SE CEDAR RAPIDS, IA 52403 42-1199429	HEALTHCARE OVERSIGHT	IA	501(C)(3)	LINE 11B, II	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) MR ASSOCIATES LLP 1455 SHERMAN ROAD HIAWATHA, IA 52233 42-1260463	MEDICAL IMAGING	IA	MERCY MEDICAL CENTER	RELATED	2,526,084	1,348,055		No		Yes		33 000 %
(2) UNIVERSITY OF IOWA AFFILIATED HEALTH PROVIDERS LC 200 HAWKINS DRIVE IOWA CITY, IA 52242 42-1432272	ACCOUNTABLE CARE ORGANIZATION	IA	N/A									

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) MERCY CARE MANAGEMENT INC PO BOX 786 CEDAR RAPIDS, IA 52406 42-1198970	MEDICAL CLINICS	IA	N/A	C				Yes	
(2) MERCY PHYSICIANS ASSOCIATES (SUB OF MERCY CARE MANAGEMENTINC) PO BOX 786 CEDAR RAPIDS, IA 52406 42-1442443	MEDICAL SERVICES	IA	N/A	C				Yes	
(3) MERCY PHYSICIAN SERVICES (SUB OF MERCY CARE MANAGEMENTINC) PO BOX 786 CEDAR RAPIDS, IA 52406 42-1442442	SUPPORT SERVICES	IA	N/A	C				Yes	

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

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

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

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

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

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

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

Software ID:
Software Version:
EIN: 42-0698295
Name: MERCY MEDICAL CENTER

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	B	375,407	FAIR MARKET VALUE
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	C	2,741,879	FAIR MARKET VALUE
MERCYCARE SERVICE CORPORATION	B	2,500,000	FAIR MARKET VALUE
MERCY CARE MANAGEMENT INC	A	665,000	FAIR MARKET VALUE
MERCYCARE SERVICE CORPORATION	C	2,155,283	FAIR MARKET VALUE
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	Q	564,586	FAIR MARKET VALUE
MERCY HOSPITAL CEDAR RAPIDS IA ENDOWMENT FOUNDATION	A	1	FAIR MARKET VALUE

Mercy Medical Center

Financial Report
June 30, 2013

Contents

McGladrey

Independent Auditor's Report

To the Audit Committee
Mercy Medical Center
Cedar Rapids, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Mercy Hospital d/b/a Mercy Medical Center which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations and changes in net assets and cash flows for the years then ended and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Medical Center as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

McGladrey LLP

Davenport, Iowa
October 11, 2013

Mercy Medical Center

Balance Sheets
June 30, 2013 and 2012
(Dollars in Thousands)

Assets	**2013**	2012
Current Assets		
Cash and cash equivalents	**$ 19,867**	$ 12,825
Investments	**16,099**	3,881
Patient accounts receivable, net of allowance for uncollectible accounts 2013 $9,040, 2012 $11,720 and contractual allowances 2013 $61,932, 2012 $83,128	**35,014**	40,671
Other receivables, net	**5,780**	2,576
Inventories	**6,227**	5,618
Prepaid expenses and other	**3,984**	2,532
Assets limited as to use under bond indentures required for current liabilities	**2,114**	-
Total current assets	**89,085**	68,103
Assets Limited as to Use		
Board-designated for capital improvements	**141,143**	122,570
Self-insurance trust funds	**20,896**	19,473
Under bond indentures, held by trustee	**2,125**	14
	164,164	142,057
Less portion required for current liabilities	**2,114**	-
	162,050	142,057
Property and Equipment		
Land and improvements	**21,410**	17,806
Buildings	**260,075**	255,443
Furniture and equipment	**134,416**	105,729
Construction in progress	**1,190**	7,442
	417,091	386,420
Less accumulated depreciation	**205,954**	187,454
	211,137	198,966
Other Assets		
Investments	**6,650**	11,345
Investments and interest in affiliated entities		
Foundation	**57,875**	52,473
Others	**3,236**	3,170
Notes receivable and other	**701**	814
Debt issue costs, net	**1,079**	523
	69,541	68,325
	$ 531,813	$ 477,451

See Notes to Financial Statements

Liabilities and Net Assets	**2013**	2012
Current Liabilities		
Current maturities of long-term debt	**$ 2,660**	$ 2,590
Accounts payable	**20,025**	19,442
Accrued payroll obligations	**10,992**	9,527
Other accrued expenses	**3,067**	3,245
Estimated settlement due to third-party payors	**737**	642
Total current liabilities	**37,481**	35,446
Long-Term Liabilities		
Long-term debt, less current portion	**119,462**	76,710
Self-insurance reserves	**7,245**	6,896
Liability for retirement benefits	**36,434**	48,314
Interest rate swap agreements	**9,750**	15,994
Total long-term liabilities	**172,891**	147,914
Total liabilities	**210,372**	183,360
Commitments and Contingencies (Notes 8 and 11)		
Net Assets		
Unrestricted - Hospital	**263,566**	241,618
Unrestricted - Foundation	**20,985**	19,003
Total unrestricted	**284,551**	260,621
Temporarily restricted - Foundation	**12,221**	9,584
Permanently restricted - Foundation	**24,669**	23,886
	321,441	294,091
	$ 531,813	$ 477,451

Mercy Medical Center

Statements of Operations and Changes in Net Assets
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Revenue		
Patient service revenue, net of contractual adjustments	**$ 266,173**	$ 267,205
Less provision for bad debts	**13,993**	13,866
Net patient service revenue	**252,180**	253,339
Other	**13,178**	10,943
Total operating revenue	**265,358**	264,282
Expenses		
Salaries	**101,759**	93,937
Supplies and other	**104,383**	98,997
Payroll taxes and employee benefits	**31,416**	28,339
Depreciation and amortization	**22,306**	21,746
Professional fees	**2,796**	2,147
Utilities	**3,653**	3,382
Loss on disposition of property and equipment	**152**	103
Interest	**3,056**	2,473
Total operating expenses	**269,521**	251,124
Income (loss) from operations	**(4,163)**	13,158
Nonoperating revenue (expenses), net		
Investment income	**9,685**	2,959
Change in fair value of interest rate swap agreements	**6,244**	(8,795)
Grant income, flood recovery	**-**	885
Other, primarily rental income	**695**	894
	16,624	(4,057)
Excess of revenue over expenses	**12,461**	9,101
Change in unrealized gains and losses on investments	**(1,427)**	(3,395)
Change in unrecognized funded status of retirement plan	**12,388**	(15,000)
Change in interest in net assets of Foundation	**1,982**	(1,750)
Net transfers (to) affiliated organizations	**(1,474)**	(713)
Increase (decrease) in unrestricted net assets	**23,930**	(11,757)
Change in temporarily restricted net assets, increase in interest in net assets of Foundation	**2,637**	189
Change in permanently restricted net assets, increase in interest in net assets of Foundation	**783**	1,001
Increase (decrease) in net assets	**27,350**	(10,567)
Net assets		
Beginning	**294,091**	304,658
Ending	**$ 321,441**	$ 294,091

See Notes to Financial Statements

Mercy Medical Center

Statements of Cash Flows
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Cash Flows from Operating Activities		
Increase (decrease) in net assets	**$ 27,350**	$ (10,567)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	**22,234**	21,700
Amortization	**72**	46
Forgiveness of physician and employee advances	**389**	501
Change in unrealized losses on investments	**1,427**	3,395
Change in interest in net assets of Foundation	**(5,402)**	560
Earnings less than distributions from affiliated organizations	**(66)**	197
Change in fair value of interest rate swap agreements	**(6,244)**	8,795
Realized (gains) on investments	**(6,430)**	(509)
Loss on disposal of property and equipment	**152**	103
Change in funded status of retirement plan	**(11,880)**	14,923
Transfers to affiliated organizations	**1,474**	713
(Increase) decrease in		
Patient and other receivables	**2,425**	(4,479)
Inventories and prepaid expenses	**(2,061)**	(457)
Increase (decrease) in		
Accounts payable, accrued expenses and self-insurance reserves	**5,123**	2,059
Due to third-party payors	**95**	(375)
Net cash provided by operating activities	**28,658**	36,605
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	**23**	16
Purchase of property and equipment	**(37,484)**	(42,757)
Purchase of investments and assets limited as to use	**(52,283)**	(14,867)
Proceeds from sale of investments and assets limited as to use	**27,656**	6,977
Payments of debt issue costs	**(628)**	-
Advances on notes receivable and other	**(580)**	(807)
Collections on notes receivable	**332**	2,237
Net cash (used in) investing activities	**(62,964)**	(49,201)
Cash Flows from Financing Activities		
Proceeds from issuance of bonds	**45,412**	-
Payments on long-term debt	**(2,590)**	(2,500)
Transfers (to) affiliated organizations	**(1,474)**	(713)
Net cash provided by (used in) financing activities	**$ 41,348**	$ (3,213)

(Continued)

Mercy Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Net increase (decrease) in cash and cash equivalents	**$ 7,042**	$ (15,809)
Cash and cash equivalents		
Beginning	**12,825**	28,634
Ending	**$ 19,867**	$ 12,825
Supplemental Disclosure of Cash Flow Information, cash payments for interest, including capitalized interest 2013 $624, 2012 $464	**$ 3,052**	$ 2,903
Supplemental Disclosure of Noncash Investing and Financing Activities, increase (decrease) in accounts payable related to construction in progress	**(2,904)**	62

See Notes to Financial Statements

Mercy Medical Center

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization:

Mercy Hospital, d/b/a Mercy Medical Center (Hospital), is an Iowa not-for-profit corporation The Hospital provides services from its facility located in Cedar Rapids, Iowa The accompanying financial statements include the Hospital's interest in the net assets of the Mercy Hospital Endowment Foundation, Inc , d/b/a Mercy Medical Center Foundation (Foundation) The Foundation was established to foster support and encourage the activities and purposes of the Hospital

Mercycare Service Corporation (Parent), an Iowa not-for-profit corporation, is the sole corporate member of the Hospital Another related corporation, Mercy Care Management, Inc (MCM), is also controlled by the Parent The financial position and results of operations of the Parent and MCM are not included in the accompanying financial statements

Significant accounting policies:

Accounting estimates The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates Estimates that are particularly susceptible to significant changes in the near term and which require significant judgments by management include the allowance for uncollectible accounts, allowance for contractual adjustments, estimated third-party payor settlements, depreciable lives of property and equipment, pension plan assumptions, fair value of investments and self-insurance reserves

Cash and cash equivalents Cash and cash equivalents include investments in highly liquid marketable securities with a maturity of three months or less Certain temporary cash investments internally designated as long-term investments are excluded from cash and cash equivalents

Patient receivables and net patient service revenue Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions The Hospital does not charge interest on patient receivables Patient receivables are written off as provision for bad debt when deemed uncollectible Recoveries of receivables previously written off are recorded as a reduction of the provision for bad debt when received

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated settlements due to third-party payors

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined Net patient service revenue is reported net of the provision for bad debts

Note 1. Organization and Significant Accounting Policies (Continued)

In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates as described below) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Hospital's allowance for doubtful accounts for self-pay patients decreased from approximately 61% of self-pay accounts receivable at June 30, 2012, to approximately 48% of self-pay accounts receivable at June 30, 2013 In addition, the Hospital's self-pay write-offs decreased from $26,100,000 to $21,600,000 for the years ended June 30, 2012 and 2013, respectively, and increased from $23,700,000 to $26,100,000 for the years ended June 30, 2011 and 2012, respectively The decreases in 2013 were due to changes in the Hospital's handling of self-pay accounts During the year, the Hospital began offering self-pay patients a 40% discount of gross charges This discount is included in contractual adjustment expense as its considered contractual obligation with the self-pay patients The changes in 2012 were the result of negative trends experienced in the collection of accounts from self-pay patients The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, due to insignificant bad debt write-offs from third-party payors

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided

Patient service revenue at established rates less third-party payor contractual adjustments (but before the provision for bad debts), recognized in the years ended June 30, 2013 and 2012, was approximately

	2013	2012
	(Dollars in Thousands)	
Third-party payors	$ 247,234	$ 248,337
Self pay	18,939	18,868
	$ 266,173	$ 267,205

Note 1. Organization and Significant Accounting Policies (Continued)

Notes receivable and other assets The notes receivable consist primarily of a note receivable bearing interest at 4 0% due in monthly installments of approximately $2,018 with final installment due March 2014 The note receivable arose from the ordinary course of business, and is due from an unrelated third-party Current portions of notes receivables are included in other receivables on the accompanying balance sheet Other noncurrent assets also include approximately $398,100 and $425,800 as of June 30, 2013 and 2012, respectively, of physician and employee advances that may be forgiven over a period of one to five years

Inventories Inventories, which consist primarily of medical and pharmaceutical supplies, are stated at the lower of cost or market The inventories are reported on the first-in, first-out basis

Assets limited as to use Assets limited as to use include investments set aside by the Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held for self-insurance trust funds and assets held by trustee under indenture agreements

Investments Investments in equity securities with readily determinable fair values, all investments in debt securities and alternative investments, which primarily include limited partnerships, are measured at fair value in the balance sheets The Hospital reports the fair value of alternative investments using the practical expedient The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Hospital based on various factors Annually, the net asset value from the respective funds' audited financial statements as of December 31 is adjusted to fair value from the date of the respective funds' audited financial statements through the Hospital's June 30 reporting date, the Hospital adjusts its investments and includes in its statement of operations cash paid for capital calls, cash proceeds received from distributions and investment gains and losses as determined from periodic, unaudited interim fund reporting Investment income or loss, including realized gains and losses on investments, other-than-temporary impairment losses, interest and dividends, is included in excess of revenue over expenses Change in unrealized gains and losses on investments, which is considered temporary, is excluded from excess of revenue over expenses but is included as a change in net assets

Investment income, except for income earned on bond-related, trustee-held investments and self-insurance investments which are included in other operating revenue, is reported as nonoperating revenue Investment income included as other operating revenue was $795,000 and $637,000 for the years ended June 30, 2013 and 2012, respectively

Investments and interest in affiliated entities Investments and interest in affiliated entities represent the Hospital's interest in the net assets of the Foundation, its 39% interest in Cedar Rapids PHO (CRPHO), its one-third interest in Eastern Iowa Sleep Center, LLC, its one-third interest in Magnetic Resonance Associates, LLP (MR Associates) its 10% interest in PCI Regional Medical Mall, LLC and its 7 5% interest in PCI Lender, LLC The investment in CRPHO, Eastern Iowa Sleep Center, LLC and MR Associates, are recorded on the equity method with changes in the Hospital's interest in these entities recorded as other operating revenue in the statements of operations The investment in PCI Regional Medical Mall, LLC and PCI Lender, LLC are recorded on the cost method

Note 1. Organization and Significant Accounting Policies (Continued)

Property and equipment Property and equipment acquisitions are recorded at cost Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method Interest cost incurred during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets Capitalized interest was approximately $624,000 and $464,000 for the years ended June 30, 2013 and 2012, respectively

Costs of internal use computer software that meet the criteria of being acquired or internally developed solely to meet the needs of the Hospital and for which no plan exists to market the software externally are capitalized or expensed as follows Costs and activities undertaken during the preliminary project stage which are analogous to research and development activities are expensed as incurred Costs and activities during the application development stage which are analogous to the actual physical construction of the computer software are capitalized as incurred Capitalized costs include external direct costs, direct payroll and payroll related costs and interest costs Costs and activities during the post implementation operations stage that don't provide upgrades resulting in additional functionality are expensed as incurred All training costs are expensed as incurred

Deferred financing costs Deferred financing costs are being amortized over the term of the related debt using the interest method

Derivative financial instruments The Hospital's derivative financial instruments consist of interest rate swap agreements which are carried at fair value The Hospital has elected not to use hedge accounting

Temporarily and permanently restricted net assets The Hospital is required to report information regarding its financial position and activities according to three classes of net assets unrestricted net assets, temporarily restricted net assets and permanently restricted net assets The three classes are based on the presence or absence of donor-imposed restrictions The Hospital's restricted net assets consist of interest in net assets of the Foundation that are restricted by donor intent Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained in perpetuity Also see Note 14 for additional information on restricted net assets

Excess of revenue over expenses The statements of operations and changes in net assets include excess of revenue over expenses Excess of revenue over expenses, consistent with industry practice, excludes unrealized gains and losses on investments which are considered temporary, permanent transfers of assets to and from affiliates for other than goods and services and for capital acquisitions, contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets, and change in unrecognized funded status of retirement plan

Note 1. Organization and Significant Accounting Policies (Continued)

Fair value of financial instruments Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, notes receivable, accounts payable, accrued liabilities, estimated third-party payor settlements and other current liabilities The fair value of the liability for retirement benefits approximates carrying value as the Plan's assets are recorded at fair value and the projected benefit obligation is discounted to present value A portion of the Hospital's investments and assets limited as to use are carried at fair value on the balance sheets based on quoted market prices The alternative investments primarily include limited partnerships The carrying amount for limited partnerships are recorded at net asset value (NAV) as the practical expedient for fair value, which is based primarily on historical investment returns and nonfinancial data of the underlying investees The interest rate swap agreements are also carried at fair value on the balance sheets based on quotations from the counterparty to the swap agreements Based on borrowing rates currently available to the Hospital with similar terms and maturities, the fair value of the long-term debt approximates its carrying value as of June 30, 2013 and 2012

Fair value measurements The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC) defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements, which applies to all assets and liabilities that are measured and reported on a fair value basis See Note 5 for additional information

Charity care The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because the Hospital does not pursue collection of these amounts, they are not reported as revenue

Grant income, flood recovery The Hospital was the recipient of a grant of approximately $885,000 which was restricted to be used for flood recovery and reconstruction The grant proceeds were received during the year ended June 30, 2012 and were for the reimbursement of dollars previously expended for flood recovery and reconstruction

Electronic health records incentive program The electronic health records incentive program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records (EHR) technology Payments under both the Medicare and Medicaid program are generally made for up to four years based on a statutory formula The Medicaid programs are determined on a state by state basis, which are approved by the Centers for Medicare and Medicaid Services Payment under both programs are contingent on the Hospital initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive reporting periods The final amount for any payment year is determined based upon an audit by the fiscal intermediary Events could occur that would cause the final amounts to differ materially from the initial payments under the program As of June 30, 2013, the Hospital is in the process of meeting the meaningful use objectives and has not recognized any revenue related to this program

Note 1. Organization and Significant Accounting Policies (Continued)

Income taxes The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code

The Hospital files a Form 990 (Return of Organization Exempt from Income Tax) annually When this return is filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained Examples of tax positions common to hospitals include such matters as the following the tax exempt status of the entity, the continued tax exempt status of bonds issued by the obligated group, the nature, the characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business income (UBI) UBI is reported on Form 990T, as appropriate The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any

Tax positions are not offset or aggregated with other positions Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination As of June 30, 2013 and 2012, there were no uncertain tax benefits identified and recorded as a liability

Forms 990 and 990T filed by the Hospital are generally subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return

Reclassification Certain items on the accompanying financial statements as of and for the year ended June 30, 2012 have been reclassified to be consistent with classifications as of and for the year ended June 30, 2013 The reclassifications had no effect on excess of revenues over expenses or net assets

Subsequent events The Hospital has evaluated subsequent events through October 11, 2013, the date on which the financial statements were issued

New and pending accounting guidance In 2013, the Hospital adopted Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U S GAAP and IFRSs* This ASU was issued to clarify FASB's intent on application of certain aspects of existing fair value measurement requirements and to change certain requirements for measuring fair value and for disclosing information about fair value measurements These changes (mostly applicable to financial instruments in levels 2 and 3) include guidance on measuring the fair value of financial instruments that are managed within a portfolio, application of premiums and discounts, and additional disclosures about fair value measurements FASB has concluded that this ASU will achieve the objective of developing common fair value measurement and disclosure requirements in U S GAAP and IFRSs The adoption of this ASU resulted in minimal changes to the fair value disclosures of the Hospital, and it had no effect on the Hospital's balance sheet or statement of operations and changes in net assets

Note 1. Organization and Significant Accounting Policies (Continued)

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented Management is evaluating the impact this ASU may have on the Hospital's financial statements

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows: Not-for Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* This ASU requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013 Management is evaluating the impact this ASU may have on the Hospital's financial statements

In February 2013, the FASB issued ASU No 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* (a consensus of the Emerging Issues Task Force) ASU 2013-04 provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U S GAAP The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 The amendments in this ASU should be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the ASU's scope that exist at the beginning of an entity's fiscal year of adoption An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in this ASU) and should disclose that fact Early adoption is permitted Management is evaluating the impact this ASU may have on the Hospital's financial statements

Note 1. Organization and Significant Accounting Policies (Continued)

In April 2013, the FASB has issued ASU No 2013-06, *Not-for-Profit Entities (Topic 958) - Services Received from Personnel of an Affiliate* The objective of the amendments in this ASU is to specify the guidance that not-for-profit entities apply for recognizing and measuring services received from personnel of an affiliate More specifically, the amendments in this ASU apply to not-for-profit entities, including not-for-profit, business-oriented health care entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity The amendments in this ASU require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity Those services should be measured at the cost recognized by the affiliate for the personnel providing those services However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (*a*) the cost recognized by the affiliate for the personnel providing that service or, (*b*) the fair value of that service The amendments in this ASU are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented Early adoption is permitted Management is evaluating the impact this ASU may have on the Hospital's financial statements

Note 2. Net Patient Service Revenue

The Hospital derives patient revenue primarily from patients covered under the Medicare and Medicaid programs, agreements with commercial insurers and managed care organizations, as well as from private pay patients The basis for payment under agreements with commercial insurers and managed care organizations includes prospectively determined rates, discounts from established charges and allowable costs

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered Approximately 95% and 94% of the Hospital's revenue from patient services in 2013 and 2012, respectively, is derived from the Medicare, Medicaid, Blue Cross and CRPHO programs A summary of the payment arrangements with major third-party payors follows

Medicare The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Outpatient services are paid at prospectively determined rates based on an Ambulatory Patient Classification (APC) System The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2009

Medicaid Inpatient acute care services rendered under the Medicaid program are paid at prospectively determined rates-per-discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Outpatient services rendered to Medicaid program beneficiaries are based on a combination of prospectively set payments based on Medicare and Medicaid determined fee schedules or a cost-based payment methodology based on Ambulatory Patient Groups (APG) APG rates are based on a blend of hospital-specific and statewide average costs reported by each hospital for costs associated with routine and ancillary care per Medicaid outpatient visit The Hospital's Medicaid cost reports have been finalized by the fiscal intermediary through June 30, 2009

Note 2. Net Patient Service Revenue (Continued)

Other agreements The Hospital has also entered into payment agreements with certain preferred provider organizations, health maintenance organizations and local employers The basis for payment to the Hospital under these agreements includes discounts from established charges, prospectively determined per diem rates and prospectively determined rates per discharge

A summary of net patient service revenue for the years ended June 30, 2013 and 2012 is as follows

	2013	2012
	(Dollars in Thousands)	
Gross patient service revenue	$ 836,100	$ 801,950
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	569,927	534,745
Net patient service revenue, net of contractual allowances	266,173	267,205
Less provision for bad debts	13,993	13,866
Net patient service revenue	$ 252,180	$ 253,339

Contractual adjustment expense for the years ended June 30, 2013 and 2012 includes the effect of a change in the amount of the estimated contractual adjustments under third-party reimbursement programs and retroactive adjustments based on final settlements of cost reports The effect of these changes in estimate are a decrease in contractual adjustment expense of approximately $138,000 and $760,000 for the years ended June 30, 2013 and 2012, respectively The effect of these changes in estimate exclude the amounts recognized in the year ended June 30, 2012 for additional reimbursement received for the lowest quartile of per enrollee Medicare spending program and the CMS settlement related to the budget neutrality adjustment, which are described below

In 2011, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Iowa's Hospital Provider Tax Program Under the Program, which is retroactive to July 1, 2010, a hospital is required to pay a quarterly provider tax assessment The tax assessments collected by the State are used to fund a health care access improvement fund and are used to obtain federal matching funds, all of which must be distributed to Iowa hospitals to help bring Medicaid reimbursement closer to the cost of providing care The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients The Plan increases inpatient DRG reimbursement rates and also implements several supplemental inpatient and outpatient methodologies The Hospital's additional reimbursement has been recorded in the accompanying financial statements as a reduction of contractual adjustment expense Total assessments incurred by the Hospital related to this Program amounted to approximately $1,912,000 for each of the years ended June 30, 2013 and 2012, which is included in other operating expenses

The Patient Protection and Affordable Care Act (PPACA) provided an additional $400 million for hospitals which reside in counties which rank in the lowest quartile of per enrollee Medicare spending The Hospital was a qualifying hospital and recognized revenue of approximately $1,127,000 for the year ended June 30, 2012 related to this program, which is included as a reduction of contractual adjustment expense No additional payments are expected under the provision of the PPACA

Note 2. Net Patient Service Revenue (Continued)

In June 2012, the Hospital received a settlement from the Centers for Medicare and Medicaid Services of approximately $1,680,000, which is included as a reduction of contractual adjustment expense This settlement was the result of a national lawsuit claiming that CMS has applied a negative budget neutrality adjustment to the Medicare inpatient prospective payment system each year since 1998 to account for the increase in payments related to the Medicare wage index rural floor The rural floor provides that no Metropolitan Statistical Area's wage index can be lower than the state-wide rural wage index

The Hospital and University of Iowa Hospitals and Clinics (UIHC) collaborated to create an Accountable Care Organization (ACO) In July 2012, this collaboration was selected to participate in the Medicare Shared Savings Program Accountable Care Organization, which is a new multifaceted program sponsored by CMS Through the Shared Savings Program, the Hospital and UIHC will work with CMS to provide Medicare fee-for-service beneficiaries with high-quality service and care, while reducing the growth in Medicare expenditures through enhanced care coordination

Note 3. Charity, Indigent Care and Community Service

The Hospital provides medical health care, including 24 hours a day, seven days a week Trauma Center service, to all patients accessing the system, regardless of race, creed, sex, national origin, handicap, age or ability to pay A patient is classified as a charity patient by reference to certain established policies of the Hospital Essentially, these policies define charity services as those services for which no or nominal payment is anticipated Additionally, each Hospital department accepts all patients who are covered by governmental indigent programs Such indigent programs typically remit amounts substantially less than charges

Cost of charity care is calculated by applying hospital specific cost to charge ratios to the total amount of charity care deductions from gross revenue The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to remove the cost of non-patient care activity, Medicaid provider taxes paid, identifiable community benefit expenses, as well as gross patient charges that are generated for identifiable community benefit services

The following summarizes the Hospital's charity care, indigent care (i e , Medicaid) and provision for bad debts, a substantial portion of which relates to patient receivables that may have qualified for charity care under the Hospital's policies

	2013	2012
	(Dollars in Thousands)	
Charity care provided at established charges	$ 16,751	$ 15,812
Discounts provided on self-pay patients	$ 7,273	$ 7,620
Provision for bad debts	$ 13,993	$ 13,866
Estimated costs and expenses in providing these services	$ 10,747	$ 10,897
Medicaid revenue at established charges	$ 66,970	$ 61,253
Expected Medicaid payments	24,403	17,746
Government shortfall relating to Medicaid programs	$ 42,567	$ 43,507
Estimated costs and expenses in providing Medicaid services	$ 18,932	$ 17,895

Note 3. Charity, Indigent Care and Community Service (Continued)

In addition, charity care and community service are provided through many reduced price services and free programs offered throughout the year These programs provide a bona fide community health need, including (unaudited)

- A health news publication, The Mercy Touch, distributed to approximately 66,000 and 77,300 households in 2013 and 2012 at the total cost of over $61,000 and $59,000 for the years ended June 30, 2013 and 2012, respectively
- Two jointly sponsored medical educational programs in conjunction with St Luke's Hospital which provided for the education of 19 and 28 Family Practice Residents for the years ended June 30, 2013 and 2012, respectively, and 23 and 17 Radiological Technology students for each of the years ended June 30, 2013 and 2012, respectively The expense incurred by the Hospital was $1,511,000 and $1,594,000 for the years ended June 30, 2013 and 2012, respectively
- Public and professional educational seminars which are offered on topics including chronic back and neck pain, prenatal education, breast feeding, diabetes, eating disorders, osteoporosis, crohns/colitis, cancer, cardiovascular disease and wellness Specialized cancer seminars for radiation therapists, medical dosimetrists, social workers, dental hygienists, nurses, dentists and physicians are also frequently offered
- Hospital meeting facilities which are frequently used without charge by such groups as the American Heart Association, Iowa Breast Cancer Foundation, Healthy Linn Network Advisory Committee, Overeaters Anonymous, Catholic Laymen, United Way, Catherine McAuley Center for Women, the American Cancer Society, M S Support Group, and ARC of East Central Iowa
- Contributions of 126,140 and 115,300 hours toward the common purpose of serving the health care of the community for the years ended June 30, 2013 and 2012, respectively The value of these contributions was approximately $1,487,000 and $1,320,000 for the years ended June 30, 2013 and 2012, respectively, and was given back to the community through lower costs

Note 4. Assets Limited as to Use and Investments

Assets limited as to use as of June 30, 2013 and 2012 consist of the following

	2013	2012
	(Dollars in Thousands)	
Board-designated for capital improvements		
Commercial paper and cash	$ 4,412	$ 330
Mutual funds primarily invested in		
Equities	60,248	53,004
Fixed income	52,974	45,974
Limited partnerships	23,509	23,262
	141,143	122,570
Self-insurance trust fund		
Commercial paper and cash	523	502
Mutual funds primarily invested in		
Equities	9,119	8,987
Fixed income	9,188	8,030
Balanced fund	2,066	1,954
	20,896	19,473
Under bond indentures, held by trustee, money market funds	2,125	14
Total assets limited as to use	$ 164,164	$ 142,057

Note 4. Assets Limited as to Use and Investments (Continued)

Investments, including those classified as current and noncurrent on the accompanying balance sheets, as of June 30, 2013 and 2012 consist of the following

	2013	2012
	(Dollars in Thousands)	
Cash and cash equivalents	$ 1,121	$ 2,378
Fixed income		
U S government securities	4,701	7,998
Corporate bonds	16,697	4,307
Foreign securities	230	543
	$ 22,749	$ 15,226

Investment income (loss), which is presented as a component of nonoperating revenue, net, consists of the following for the years ended June 30, 2013 and 2012

	2013	2012
	(Dollars in Thousands)	
Realized gains	$ 6,430	$ 509
Dividend and interest income	3,255	2,450
	$ 9,685	$ 2,959

Investment securities are regularly evaluated for impairment The Hospital considers factors affecting the investment, factors affecting the industry the investment operates within, and general debt and equity market trends The Hospital considers the length of time an investment's fair value has been below carrying value, the near term prospects for recovery to carrying value, and the intent and ability to hold the investment until maturity or market recovery is realized When a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value and the other-than-temporary loss is included as a component of investment income (loss), similar to realized losses, which are included in excess of revenue over expenses There were no losses recognized as a result of management's analysis for the years ended June 30, 2013 and 2012

Note 4. Assets Limited as to Use and Investments (Continued)

Unrealized losses and fair value, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position, as of June 30, 2013 and 2012, are summarized as follows (dollars in thousands)

	Continuous Unrealized Losses Existing for Less Than 12 Months		Continuous Unrealized Losses Existing for Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	June 30, 2013					
Equities						
Domestic	$ 5,792	$ 436	$ -	$ -	$ 5,792	$ 436
International	12,033	253	4,355	869	16,388	1,122
Fixed income						
Corporate bonds	15,320	424	-	-	15,320	424
Global/foreign securities	3,778	269	-	-	3,778	269
U S government securities	10,155	411	-	-	10,155	411
Limited partnerships, invested primarily in hedge fund	790	35	-	-	790	35
	$ 47,868	$ 1,828	$ 4,355	$ 869	$ 52,223	$ 2,697
	June 30, 2012					
Equities						
Domestic	$ 4,815	$ 85	$ -	$ -	$ 4,815	$ 85
International	342	110	2,490	828	2,832	938
Fixed income, global	3,555	56	-	-	3,555	56
Balanced fund	-	-	1,954	74	1,954	74
Limited partnerships, invested primarily in hedge fund	1,775	88	-	-	1,775	88
	$ 10,487	$ 339	$ 4,444	$ 902	$ 14,931	$ 1,241

Note 5. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances In that regard, this guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs The fair value hierarchy is as follows

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data Level 2 investments also include market alternatives, measured using the practical expedient, that do not have any significant redemption restrictions, lock ups, gates or other characteristics that would cause liquidation and report date NAV to be significantly different

Level 3 Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability Level 3 investments are valued using the practical expedient and would have significant redemption and other restrictions that would limit the Hospital's ability to redeem out of the fund at report date NAV Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below

Investments in equity securities, corporate bonds, global/foreign issues, U S government securities and balanced funds traded on a national securities exchange are valued at the last reported sales price on the day of valuation These financial instruments are classified as level 1 in the fair value hierarchy

Certain investments in equity securities and global/foreign issues are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date In determining fair value, the Hospital utilizes valuations provided by the underlying investment funds The underlying investment funds value securities and other financial instruments on a fair value basis of accounting The fair value of the Hospital's investments in funds generally represents the amount the Hospital would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply Investments in funds are classified as level 2 in the fair value hierarchy

Note 5. Fair Value Measurements (Continued)

Investments in limited partnerships are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date In determining fair value, the Hospital utilizes valuations provided by the underlying investment funds The underlying investment funds value securities and other financial instruments on a fair value basis of accounting The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective other investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments The fair value of the Hospital's investments in funds generally represents the amount the Hospital would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply Investments in funds are classified as level 3 in the fair value hierarchy

Interest rate swaps for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows These financial instruments are classified as level 2 in the fair value hierarchy

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended June 30, 2013

Assets and liabilities recorded at fair value on a recurring basis:

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2013 and 2012, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (dollars in thousands)

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2013			
Assets Limited as to Use and Investments				
Mutual funds, primarily invested in				
Equities				
Domestic	$ 37,287	$ 37,287	$ -	$ -
International	32,080	32,080	-	-
Fixed income				
Corporate bonds	39,652	39,652	-	-
Global/foreign securities	19,266	5,826	13,440	-
U S government securities	24,872	24,872	-	-
Balanced fund	2,066	2,066	-	-
Limited partnerships, invested primarily in				
Hedge funds	8,898	-	-	8,898
Private equity funds	4,030	-	-	4,030
Real estate	10,581	-	-	10,581
	$ 178,732	$ 141,783	$ 13,440	$ 23,509
Interest rate swap liability	$ (9,750)	$ -	$ (9,750)	$ -

Note 5. Fair Value Measurements (Continued)

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2012			
Assets Limited as to Use and Investments				
Mutual funds, primarily invested in				
Equities				
Domestic	$ 35,113	$ 35,113	$ -	$ -
International	26,878	20,185	6,693	-
Fixed income				
Corporate bonds	24,701	24,701	-	-
Global/foreign securities	18,633	5,781	12,852	-
U S government securities	23,518	23,518	-	-
Balanced fund	1,954	1,954	-	-
Limited partnerships, invested primarily in				
Hedge funds	8,205	-	-	8,205
Private equity funds	4,494	-	-	4,494
Real estate	10,563	-	-	10,563
	$ 154,059	$ 111,252	$ 19,545	$ 23,262
Interest rate swap liability	$ (15,994)	$ -	$ (15,994)	$ -

There were no transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the years ended June 30, 2013 and 2012

Note 5. Fair Value Measurements (Continued)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Hospital has utilized level 3 inputs to determine fair value

	Limited Partnerships	
	2013	2012
	(Dollars in Thousands)	
Balance, beginning	$ 23,262	$ 23,232
Total realized and unrealized gains, net included in earnings	1,732	590
Purchases	168	692
Sales and distributions	(1,653)	(1,252)
Balance, ending	$ 23,509	$ 23,262
Total gains, net, included in earnings attributable to the change in unrealized gains, net, relating to financial instruments still held	$ 1,732	$ 590

Management has determined fair value of investments classified within level 3 of the valuation hierarchy by comparing investment returns to the returns of the funds based on the audited financial statements obtained for the funds Gains and losses included in earnings for the period above are reported in nonoperating income in the statement of operations and changes in net assets

The following table sets forth additional disclosure of the Hospital's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2013 and 2012

	Fair Value		Unfunded Commitment		Redemption	Redemption
	2013	2012	2013	2012	Frequency	Notice Period
	(Dollars in Thousands)					
Investments						
Equities, international (A)	$ -	$ 6,693	$ -	$ -	Semi-monthly	Trade Date minus 5 Days
Fixed income, global/foreign securities (B)	13,440	12,852	-	-	Monthly	Trade Date minus 10 Days
Limited partnerships, invested primarily in						
Hedge fund (C)	149	155	-	-	(C)	(C)
Hedge fund (C)	8,749	8,050	-	-	Quarterly	95 Days
Private equity funds (D)	4,030	4,494	1,750	2,051	(D)	(D)
Real estate (E)	10,581	10,563	4,476	604	(E)	(E)
	$ 36,949	$ 42,807	$ 6,226	$ 2,655		

Note 5. Fair Value Measurements (Continued)

(A) These funds invest in international equity securities that are all exchange traded in countries outside of the USA These funds can be redeemed semi-monthly (twice per month) at the net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager During the year ended June 30, 2013, the Hospital received redemptions of approximately $8,070,000 from this fund

(B) These funds invest in marketable securities that are all exchange traded in countries outside of the USA These funds can be redeemed at the month-end net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

(C) This investment is a hedge fund of funds The investments within this fund utilize the following strategies hedged equity, market dependent, event driven and market independent The fund is valued monthly However, redemptions can only be made as indicated above or distributions will be received as the underlying investments of the funds are liquidated over time

(D) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value provided by the fund manager

(E) The fund invests in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental USA Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

Note 6. Long-Term Debt

The Hospital's long-term debt as of June 30, 2013 and 2012 is summarized as follows

	2013	2012
	(Dollars in Thousands)	
Revenue bonds, Series 2012 (A)(D)	$ 41,195	$ -
Revenue bonds, Series 2005 (B)(D)	49,935	52,100
Revenue bonds, Series 2003 (C)(D)	26,775	27,200
	117,905	79,300
Plus unamortized premium (A)	4,217	-
	122,122	79,300
Less current maturities	2,660	2,590
	$ 119,462	$ 76,710

Note 6. Long-Term Debt (Continued)

(A) In December 2012, $41,195,000 of Series 2012 hospital facility revenue bonds (2012 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to reimburse the Hospital for the costs of acquiring and constructing certain health care facilities and to pay certain expenses incurred in connection with the 2012 Bonds The 2012 Bonds mature in varying annual amounts ranging from $1,435,000 to $3,150,000 through August 2033 and bear a fixed interest rate ranging from 2 125% to 5%

The 2012 bonds were sold at a premium, which resulted in the proceeds from the issuance of the bonds being in excess of the par amount of the bonds The premium is being accreted over the life of the Series 2012 bonds

(B) In November 2005, $58,405,000 of Series 2005 hospital facility revenue bonds (2005 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to advance refund existing Series 1999 hospital facility revenue bonds with maturity dates after August 2009 and pay certain expenses incurred in connection with the 2005 Bonds The 2005 Bonds mature in varying annual amounts ranging from $2,235,000 to $3,760,000 through August 2029 and bear variable interest at the Auction Rate (0 123% as of June 30, 2013)

A portion of the proceeds of the 2005 Bonds, together with funds available under the prior bond indenture, have been deposited into certain reserve funds and invested in United States government obligations, the maturing principal of and interest paid on which will be sufficient to pay, when due, the principal and interest on the refunded bonds Based on the opinion of legal counsel, the Series 1999 refunded bonds are deemed to have been legally defeased, therefore, the deposited funds and the bonds are no longer included on the Hospital's financial statements

(C) In May 2003, $30,000,000 of Series 2003 hospital facility revenue bonds (2003 Bonds) were issued by the City of Cedar Rapids, Iowa on behalf of the Hospital to reimburse the Hospital for the costs of acquiring and constructing certain health care facilities and to pay certain expenses incurred in connection with the 2003 Bonds The 2003 Bonds mature in varying annual amounts ranging from $425,000 to $5,700,000 through August 2032 and bear variable interest at the Auction Rate (0 298% as of June 30, 2013)

(D) The Bonds are secured by the unrestricted receivables of the Hospital Under the Master Indenture and Loan Agreements, the Hospital is subject to certain covenants, including the achievement of certain financial ratios, as well as restrictions on transfers of assets, insurance and additional debt

The Hospital has a revolving line of credit with a bank under which it may borrow up to an aggregate of $20,000,000 The Hospital had no outstanding borrowings under this agreement as of June 30, 2013 and 2012 The agreement expires March 4, 2014 The line of credit is uncollateralized

Maturities of long-term debt over the next five years and thereafter are as follows (dollars in thousands)

Year ending June 30	
2014	$ 2,660
2015	4,200
2016	4,355
2017	4,510
2018	4,675
Thereafter	97,505
	$ 117,905

Note 7. Derivative Instruments, Interest Rate Swap Agreements

The Hospital maintains an interest-rate risk-management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility The Hospital's specific goal is to lower (where possible) the cost of its borrowed funds

The Hospital entered into interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate revenue bonds The interest rate swaps are utilized to manage interest rate exposure over the period of the interest rate swaps The change in the fair value of these swap agreements is included in nonoperating revenue in the accompanying statements of operations and changes in net assets The interest settlements received by the Hospital or paid to the counterparty are included as a component of interest expense

As of June 30, 2013 and 2012, the fair value of the derivatives was recorded within long-term liabilities on the balance sheets

The interest rate swap agreements changed the Hospital's interest rate exposure on revenue bonds to a fixed rate as described below as of June 30, 2013 and 2012

The Hospital's interest rate swap agreements as of June 30, 2013 and 2012 are summarized as follows

Notional Amount		Termination Date	June 30, 2013 Fixed Rate	June 30, 2013 Variable Rate	Fair Value of Swap (Liability) 2013	Fair Value of Swap (Liability) 2012
					(Dollars in Thousands)	
$ 26,775,000	(A)	August 2032	3 48%	0 55%	$ (3,792)	$ (6,759)
49,935,000	(B)	August 2029	3 28	0 11	(5,958)	(9,235)
					$ (9,750)	$ (15,994)

(A) Effective April 10, 2003 and as amended on September 14, 2006, the Hospital is a party to an interest rate swap agreement with an original notional amount of $30,000,000 The notional amount of the swap decreases as the outstanding balance of the Series 2003 Bonds decrease Under this arrangement, the Hospital pays a fixed rate of 3 48% and the counterparty pays a floating rate equal to 67% of the five-year swap rate less an applicable credit spread (floating rate of 0 54771 % and 0 35475% as of June 30, 2013 and 2012, respectively), both of which are applied to the notional principal amount

(B) Effective November 17, 2005, the Hospital is a party to an interest rate swap agreement with an original notional amount of $58,405,000 The notional amount of the swap decreases as the outstanding balance of the Series 2005 Bonds decreases Under this arrangement, the Hospital pays a fixed rate of 3 275% and the counterparty pays a floating rate equal to 67% of the LIBOR (floating rate of 0 10959% and 0 13065% as of June 30, 2013 and 2012, respectively), both of which are applied to the notional principal amount

Note 7. Derivative Instruments, Interest Rate Swap Agreements (Continued)

The following table summarizes the amounts recorded in the Hospital's financial statements for derivative instruments as of June 30, 2013 and 2012 (dollars in thousands)

		Fair Value	
	Financial Statement Location	2013	2012
Liability derivatives, interest rate swap agreements	Long-term liabilities	$ 9,750	$ 15,994
Change in fair value	Nonoperating revenue (expense)	6,244	(8,795)

The net settlements recorded for derivative instruments in the Hospital's statements of operations increased interest expense for the years ended June 30, 2013 and 2012 by approximately $2,448,000 and $2,463,000, respectively

Note 8. Self-Insurance and Contingent Liabilities

Professional and general liability insurance:

The Hospital is self-insured for professional and general liability claims up to $5,000,000 The Hospital maintained claims-made professional liability commercial coverage with a loss limit of $15,000,000 per occurrence and in aggregate

The Hospital is involved in litigation arising in the ordinary course of business Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation Additional claims may also be asserted against the Hospital arising from services provided to patients through June 30, 2013 Losses from asserted claims and from unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors As of June 30, 2013 and 2012, the Hospital has recorded a liability as determined by an actuary which is included in self-insurance reserves of approximately $5,064,000 and $5,228,000, respectively, for estimated professional and general liability costs This represents the discounted present value of the liability The undiscounted liability as of June 30, 2013 and 2012 was $5,656,000 and $5,813,000, respectively The provision (deduction) related to this program was $(154,000) and $148,000 for the years ended June 30, 2013 and 2012, respectively Payments related to this program were $10,000 and none for the years ended June 30, 2013 and 2012, respectively

Health insurance:

The Hospital offers its employees two options for employee group health insurance The Hospital is self-insured for all options The self-insured claims are processed through the respective plan administrators In addition, the Hospital has purchased stop-loss insurance coverage for claims in excess of $150,000 per occurrence During the years ended June 30, 2013 and 2012, employee health insurance expenses related to all plans totaled approximately $13,209,000 and $13,010,000, respectively The Hospital has recorded a current liability totaling approximately $1,283,000 and $1,288,000 as of June 30, 2013 and 2012, respectively, for open claims and claims incurred but not reported

Note 8. Self-Insurance and Contingent Liabilities (Continued)

Worker's compensation insurance:

The Hospital is self-insured for its worker's compensation insurance The self-insured claims are processed through a plan administrator In addition, the Hospital has purchased stop-loss insurance coverage for claims in excess of $450,000 per year per occurrence and $1,000,000 in the aggregate During the years ended June 30, 2013 and 2012, worker's compensation insurance expenses totaled approximately $1,870,000 and $1,019,000, respectively The Hospital has recorded a liability, which is included in self insurance reserves of approximately $2,181,000 and $1,668,000 as of June 30, 2013 and 2012, respectively, for open claims and claims incurred but not reported The amount recorded by the hospital is actuarially determined and represents this discounted present value of the liability The undiscounted liability as of June 30, 2013 and 2012 was $2,231,000 and $1,686,000, respectively The amounts receivable under the stop-loss insurance coverage includes $203,000 and $370,000 as of June 30, 2013 and 2012, respectively, and are included in other long-term assets

Conditional asset retirement obligations:

The Conditional Asset Retirement Obligation Topic of the FASB Accounting Standards Codification clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties Over the past 10 years, management has systematically renovated, replaced or newly constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material Management of the Hospital believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Hospital may settle the obligation is unknown and does not believe that the estimate of the liability related to these asset retirement activities is a material amount as of June 30, 2013 and 2012

Debt guarantee of affiliated organization:

In August 2011 the Hospital, for no consideration, agreed to guarantee 10% of the PCI Regional Medical Mall, LLC bank obligations, provided that the Hospital's guarantee amount shall not exceed $3,200,000 The Hospital can be required to perform on the guarantee only in the event of nonpayment of the debt by the Medical Mall Management evaluates the Hospital's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary No accrual was deemed necessary as of June 30, 2013 and 2012

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received While the Hospital is subject to similar regulatory reviews, management believes that the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position

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Note 8. Self-Insurance and Contingent Liabilities (Continued)

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program The RAC's identified and corrected a significant amount of improper overpayments to providers In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states The Hospital has been subject to such an audit and may continue to be subject to additional audits at some time in the future

Health care reform:

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U S residents through a combination of public program expansion and private sector health insurance reforms To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs Given that final regulations and interpretive guidelines have yet to be published, the Hospital is unable to fully predict the impact of PPACA on its operations and financial results If the law is implemented as adopted, the Hospital's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement

Current economic conditions:

Current economic conditions have made it difficult for certain of the Hospital's patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity

Note 9. Employee Retirement Plans

The Hospital sponsors a defined contribution employee plan Employees are eligible to participate in the plan Each participant can make voluntary contributions to the plan The Hospital will contribute an amount equal to 50% of participant contributions up to 4% of compensation for all participants 21 or older and who have completed one year of employment Expense incurred by the Hospital under this portion of the plan is $1,377,000 and $1,311,000 for the years ended June 30, 2013 and 2012, respectively The Hospital also makes an annual discretionary contribution, which is currently equal to 3% of salary in the plan year The expense incurred by the Hospital under this discretionary defined contribution plan is approximately $2,842,000 and $3,012,000 for the years ended June 30, 2013 and 2012, respectively

The Hospital's noncontributory defined benefit pension plan (Plan) covers substantially all Hospital employees based on years of service and the employee's compensation during the consecutive three-year period prior to the employee's last month of service The Hospital's policy is to fund the Plan at an amount at least equal to the actuarially calculated funding level Effective July 1, 2006 current participants in the defined benefit pension plan were given the option to remain in the defined benefit pension plan, or to elect to move to the defined contribution plan The benefits for those which chose not to remain in the defined benefit pension plan were frozen at current levels

Effective July 1, 2010, the Board of Trustees adopted a resolution to freeze the defined benefit pension plan limiting any new participants Under terms of the freeze, employees with at least 15 years of service and age 45 or older are receiving enhanced contributions under the defined contribution plan There was no curtailment gain or loss as a result of this plan election

Effective June 30, 2013, the Board of Trustees adopted a resolution to freeze the defined benefit pension plan for its remaining participants Under terms of the freeze, compensation after June 30, 2013 will not be considered in the final annualized compensation upon which retirement benefits are accrued There was no curtailment gain or loss recognized in current earnings as a result of this plan election The Hospital did recognize a reduction in the projected benefit obligation of $16,500,000 as a result of the plan amendment

The Compensation – Retirement Benefits Topic of the FASB Accounting Standards Codification requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans Actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations, must be recognized in the changes in unrestricted net assets As a result, the Hospital has recognized the underfunded status of the defined benefit pension plan in the accompanying balance sheets as of June 30, 2013 and 2012 The accrual for the defined benefit pension plan liability is based on a comparison of the fair value of plan assets to the Plan's projected benefit obligation

Note 9. Employee Retirement Plans (Continued)

The Plan is measured annually at June 30 Information about the Plan follows

	2013	2012
	(Dollars in Thousands)	
Projected benefit obligation, beginning of year	$ (128,941)	$ (114,735)
Interest cost	(6,543)	(6,464)
Actuarial gain (loss)		
Plan amendment	16,521	-
Impact of change in assumptions	(6,038)	(11,345)
Other	548	892
Benefits paid	2,708	2,711
Projected benefit obligation, end of year	(121,745)	(128,941)
Fair value of plan assets	85,311	80,627
Funded status, benefit obligation in excess of plan assets	$ (36,434)	$ (48,314)
Rollforward of accrued benefit		
Accrued benefit on balance sheet, beginning of year	$ (48,314)	$ (33,391)
Return on plan assets	4,993	324
Hospital contributions	3,500	2,500
Change in plan liability	3,387	(17,747)
Accrued benefit on balance sheet, end of year	$ (36,434)	$ (48,314)
Components of net periodic pension cost, which is included as a component of excess of revenue over expenses on the accompanying statements of operations and changes in net assets, consist of		
Interest cost	$ 6,543	$ 6,464
Expected return on plan assets	(6,498)	(6,436)
Amortization of unrecognized net loss	4,003	2,422
Amortization of unrecognized prior service cost (credit)	(27)	(27)
	$ 4,021	$ 2,423
Amounts not yet recognized as components of net periodic pension cost		
Net actuarial loss	$ 35,506	$ 47,921
Prior service cost (credit)	(89)	(116)
Unrecognized amounts, end of year	35,417	47,805
Unrecognized amounts, beginning of year	47,805	32,805
Current year change	$ (12,388)	$ 15,000
Assumptions used in computations		
In computing ending obligations		
Discount rate	4 80%	5 15%
Rate of compensation increase	-	3 75
In computing expected return on assets	8 10	8 10

Note 9. Employee Retirement Plans (Continued)

The Hospital's objective is to maximize long-term returns while reducing losses in order to meet future benefit obligations The Hospital follows the policy of using historical evidence in computing expected return on assets

The fair values of the Hospital's defined benefit pension plan assets as of June 30, 2013 and 2012 by asset category, segregated by the level of the valuation inputs within the fair value hierarchy as described in Note 5, are as follows (dollars in thousands)

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2013			
Plan assets				
Mutual funds, primarily invested in				
Equities				
Domestic	$ 19,016	$ 19,016	$ -	$ -
International	16,755	16,755	-	-
Fixed income				
Corporate bonds	12,424	12,424	-	-
Global/foreign securities	4,147	2,472	1,675	-
U S government securities	12,883	12,883	-	-
Limited partnerships, invested primarily in				
Hedge funds	6,879	-	-	6,879
Private equity funds	4,142	-	-	4,142
Real estate	7,562	-	-	7,562
	83,808	$ 63,550	$ 1,675	$ 18,583
Other plan assets, cash and cash equivalents	1,503			
Total plan assets	$ 85,311			
	June 30, 2012			
Plan assets				
Mutual funds, primarily invested in				
Equities				
Domestic	$ 18,912	$ 12,444	$ 6,468	$ -
International	17,166	17,166	-	-
Fixed income				
Corporate bonds	7,628	7,628	-	-
Global/foreign securities	8,097	2,509	5,588	-
U S government securities	9,720	9,720	-	-
Limited partnerships, invested primarily in				
Hedge funds	6,337	-	-	6,337
Private equity funds	4,408	-	-	4,408
Real estate	7,502	-	-	7,502
	79,770	$ 49,467	$ 12,056	$ 18,247
Other plan assets, cash and cash equivalents	857			
Total plan assets	$ 80,627			

Note 9. Employee Retirement Plans (Continued)

There were no transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the years ended June 30, 2013 and 2012

The following table presents additional information about the defined benefit pension plan assets measured at fair value on a recurring basis for which the Hospital has utilized level 3 inputs to determine fair value

	Limited Partnerships	
	2013	2012
	(Dollars in Thousands)	
Balance, beginning	$ 18,247	$ 17,756
Total realized and unrealized gains or losses included in earnings	1,101	(288)
Purchases	261	1,183
Sales and distributions	(1,026)	(404)
Balance, ending	$ 18,583	$ 18,247

The following table sets forth additional disclosure of the Hospital's defined benefit pension plan assets whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2013 and 2012

	Fair Value		Unfunded Commitment		Redemption	Redemption
	2013	2012	2013	2012	Frequency	Notice Period
	(Dollars in Thousands)					
Investments						
Equities, domestic (A)	$ -	$ 6,468	$ -	$ -	Semi-monthly	Trade Date minus 5 Days
Fixed income						
Global/foreign securities (B)	1,675	5,588	-	-	Monthly	Trade Date minus 10 Days
Limited partnerships, invested primarily in						
Hedge fund (C)	6,879	6,337	-	-	Quarterly	95 Days
Private equity funds (D)	4,142	4,408	1,615	1,938	(E)	(E)
Real estate (E)	7,562	7,502	2,722	222	(F)	(F)
	$ 20,258	$ 30,303	$ 4,337	$ 2,160		

(A) These funds invest in equities that are all exchange traded in the United States of America These funds can be redeemed semi-monthly (twice per month) at the net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager During the year ended June 30, 2013, the Hospital received redemptions of approximately $5,354,000 from this fund

(B) These funds invest in marketable securities that are all exchange traded in countries outside of the USA These funds can be redeemed at the month end net asset value per share based on the fair value of the underlying assets The fair values of these investments have been estimated using the net asset value per share of the investments provided by the fund manager

Note 9. Employee Retirement Plans (Continued)

(C) This investment is a hedge fund of funds The investments within this fund utilize the following strategies hedged equity, market dependent, event driven and market independent The fund is valued monthly However, redemptions can only be made as indicated above

(D) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value provided by the fund manager

(E) The fund invests in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental USA Distributions will be received as the underlying investments of the funds are liquidated over time The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

The following summarizes target and actual asset allocations by major asset categories as of June 30, 2013 and 2012

	Target Allocation		Actual	
	2013	2012	2013	2012
Equity securities	33%	33%	35%	39%
Fixed income	38	32	36	32
Real estate	14	15	14	13
Other	15	20	15	16
	100%	100%	100%	100%

The Hospital's objective is to maintain adequate levels of diversification among plan assets The Hospital monitors the allocation on an ongoing basis and will reallocate plan assets accordingly

The Hospital expects to contribute approximately $3,500,000 to the defined benefit pension plan during the year ending June 30, 2014

The benefit payments are expected to be paid as follows (dollars in thousands)

Year ending June 30	
2014	$ 3,500
2015	3,681
2016	4,218
2017	4,742
2018	5,157
2019 to 2023	33,268
	$ 54,566

Note 10. Transactions with Affiliated Organizations

MCM pays $215,400 of annual rent expense to the Hospital for the land occupied by the Physicians Clinic of Iowa and Internist Associates of Iowa and $449,600 for clinical and office space rental As of June 30, 2013 and 2012, the Hospital had a receivable from MCM for $2,326,000 and $340,000, respectively, included in other receivables on the accompanying balance sheets

The Foundation transferred funds of approximately $1,026,000 and $1,787,000 for the years ended June 30, 2013 and 2012, respectively, to the Hospital for capital acquisitions The Foundation contributed approximately $1,233,000 and $1,131,000 for the years ended June 30, 2013 and 2012, respectively, to the Hospital for Cancer Care, Hospice operations and Neuroscience, which are included in other operating revenue In addition, the Foundation contributed approximately $483,000 and $190,000 to the Hospital during the years ended June 30, 2013 and 2012, respectively, to offset operating expenses, which is included within operating income

During each fiscal year 2013 and 2012, the Hospital transferred $2,500,000 to Mercycare Service Corporation These transfers and those related to the Foundation noted above, are included in net transfers to affiliated organizations on the accompanying statements of operations and changes in net assets

Mercycare Service Corporation provided funding to Mercy Medical Center for increasing health care access and community support in the amount of $2,155,000 and $1,840,000 for the years ended June 30, 2013 and 2012, respectively, which is included in other operating revenue

Condensed financial data of the Foundation as of and for the years ended June 30, 2013 and 2012 is as follows

	2013	2012
	(Dollars in Thousands)	
Assets		
Investments, at fair value	$ 52,551	$ 48,362
Other, primarily interest in trusts and contribution and grants receivable	5,898	4,558
	$ 58,449	$ 52,920
Total liabilities	$ 574	$ 447
Net assets		
Unrestricted	20,985	19,003
Temporarily restricted	12,221	9,584
Permanently restricted	24,669	23,886
	57,875	52,473
	$ 58,449	$ 52,920
Contributions received	$ 4,303	$ 3,101
Investment income	4,626	211
Operating expenses	(785)	(763)
Contributions made and transfers to affiliate	(2,742)	(3,108)
Change in net assets	$ 5,402	$ (559)

Note 10. Transactions with Affiliated Organizations (Continued)

The temporarily restricted net assets are restricted for various health care services with a significant amount restricted for Cancer Care and Hospice

Approximately one-half of the income earned from the permanently restricted net assets is unrestricted, with the remaining income earned to be used primarily for cancer treatment

The Foundation's investments as of June 30, 2013 and 2012 consist of the following

	2013	2012
	(Dollars in Thousands)	
Mutual funds, invested primarily in		
Equities	$ 14,035	$ 13,079
Fixed income	14,390	13,445
Balanced fund	2,016	1,900
Limited partnerships	813	895
Common trust funds	19,785	17,875
Investments measured at fair value	51,039	47,194
Money market funds	1,512	1,168
	$ 52,551	$ 48,362

The following tables summarize the Foundation's assets which are measured at fair value, segregated by the level of the valuation inputs within the fair value hierarchy, described in Note 5, utilized to measure fair value (dollars in thousands)

	Fair Value	Level 1	Level 2	Level 3
	June 30, 2013			
Investments	$ 51,039	$ 30,441	$ 20,034	$ 564
Interest in trusts	3,685	-	-	3,685
	$ 54,724	$ 30,441	$ 20,034	$ 4,249
	June 30, 2012			
Investments	$ 47,194	$ 28,423	$ 18,103	$ 668
Interest in trusts	3,399	-	-	3,399
	$ 50,593	$ 28,423	$ 18,103	$ 4,067

There were no transfers of assets or liabilities between levels 1, 2 or 3 of the fair value hierarchy during the years ended June 30, 2013 and 2012

Note 10. Transactions with Affiliated Organizations (Continued)

The following table presents additional information about the Foundation's assets measured at fair value on a recurring basis for which the Foundation has utilized level 3 inputs to determine fair value

	2013	2012
	(Dollars in Thousands)	
Balance, beginning	$ 4,067	$ 4,313
Total realized and unrealized gains or losses included in earnings	39	11
Proceeds from distributions	(143)	(133)
Change in beneficial interest in trusts	286	(124)
Balance, ending	$ 4,249	$ 4,067

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2013 and 2012 (dollars in thousands)

	Fair Value		Unfunded Commitment	Redemption	Redemption
	2013	2012	2012	Frequency	Notice Period
Investments					
Limited partnerships					
Hedge fund (A)	$ 249	$ 228	$ -	Quarterly	60 Days
Hedge fund (B)	564	668	-	(B)	(B)
Common Trust Funds					
Capital Guardian US Invest Grade F I TXT 2554 (C)	8,139	8,320	-	Monthly	5 Days
Capital Guardian Global Equity TXT 2555 (D)	11,646	9,555	-	Monthly	5 Days
	$ 20,598	$ 18,771	$ -		

(A) This hedge fund invests in real estate (retail, office, residential, and land) and real estate partnerships (office, industrial/warehouse and land) in targeted metropolitan areas within the continental USA This fund can be redeemed (all or any portion of the shares owned) on a quarterly basis by giving written notice at least sixty days prior to the end of the quarter for which the request is to be effective The fund may redeem or decline to redeem, all or any portion of the shares held any investor with Board approval Shares are redeemed at the per share net asset value of the fund as of the effective date of each redemption, which is the last business day of the quarter in which the redemption occurred The fund will endeavor to honor redemption requests within twenty days after the end of the applicable quarter The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

Note 10. Transactions with Affiliated Organizations (Continued)

(B) The fund seeks to provide investors with access to a diversified multi-strategy investment portfolio designed to achieve stable, long-term, nonmarket directional positive returns with low relative volatility Effective December 11, 2008, the fund suspended redemptions Effective January 1, 2010, a restructure occurred whereby shareholders were offered the option to exchange their interest for a continuing fund or to remain invested in the fund as it commences an orderly liquidation of its portfolio The Foundation chose the liquidation option Under this option, it is estimated that investors will receive approximately 87%-90% of their net asset value as of June 30, 2009 in cash distributions on a semi-annual basis through mid-2013 The remaining 10%-13% will be received subsequent to mid-2013 During the years ended June 30, 2013 and 2012, the Foundation received distributions of $142,696 and $133,068, respectively The Foundation has no unfunded commitments as of June 30, 2013 The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager

(C) This fund's investment objectives are to seek high total return consistent with the conservation of capital by investing primarily in marketable fixed-income securities, denominated in U S dollars The fund's investments include fixed-income securities, securities issued or guaranteed by the U S Government or its agencies, and cash and cash equivalents This fund can be redeemed monthly at the current net asset value per share based on the fair value of the underlying assets The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager These funds are priced daily

(D) This fund's investment objectives are to seek growth of capital and future income through investments in a portfolio comprised of equity securities of U S issuers, ADRs (American Depositary Receipts) for securities of non-U S issuers, and securities whose principal markets are outside the U S The fund's investments primarily consist of common stocks This fund can be redeemed monthly at the current net asset value per share based on the fair value of the underlying assets The fair value of this investment has been estimated using the net asset value per share of the investment provided by the fund manager These funds are priced daily

Investment and interest in affiliated entities consists of the following as of June 30, 2013 and 2012

	2013	2012
	(Dollars in Thousands)	
Foundation	$ 57,875	$ 52,473
MR Associates, LLP	532	627
CRPHO	813	709
PCI Regional Medical Mall, LLC	450	450
PCI Lender, LLC	290	268
Eastern Iowa Sleep Center, LLC	1,151	1,116
	$ 61,111	$ 55,643

Note 11. Commitments and Contingencies

The Hospital has operating lease agreements for equipment, office space and land, and also has agreements for license fees which expire through 2040 Future annual minimum lease payments due under noncancelable agreements as of June 30, 2013 are as follows (dollars in thousands)

Year ending June 30	
2014	$ 3,380
2015	3,663
2016	3,634
2017	3,118
2018	1,471
Thereafter	463
	$ 15,729

Total operating lease expense and expense associated with the agreements for license fees was approximately $552,000 and $481,000 for the years ended June 30, 2013 and 2012, respectively

Note 12. Functional Expenses

The Hospital provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended June 30, 2013 and 2012 are as follows

	2013	2012
	(Dollars in Thousands)	
Health care services	$ 204,035	$ 195,577
General and administrative	65,486	55,547
	$ 269,521	$ 251,124

Note 13. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements The mix of gross receivables from patients and third-party payors as of June 30, 2013 and 2012 was as follows

	2013	2012
Medicare	43 9%	48 0%
Medicaid	8 1	9 3
Blue Cross	19 4	18 1
Other third-party payors	12 4	11 9
Patients	16 2	12 7
	100 0%	100 0%

As of June 30, 2013, the Hospital had deposits exceeding the federal depository insurance limits in one major financial institution Management believes the credit risk related to these deposits is minimal

Note 14. Endowments

The Foundation's endowments consist of various donor-restricted endowment funds and funds designated by the Board of Directors to function as quasi-endowments Net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

The Board of Directors of the Foundation has interpreted the State of Iowa's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as recommending the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this Interpretation, the Foundation classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) changes in the value of the Foundation's share of trust assets in perpetual trusts The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net asset until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Note 14. Endowments (Continued)

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term Actual returns in any given year may vary from this amount

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints

Effective July 2013, the Foundation has a policy of appropriating for distribution each year a maximum of 4 5% of the three year (12 quarters) rolling average of the Foundation's total assets Effective July 2012, the Foundation had a policy of appropriating for distribution each year a maximum of 4 5% of the two year (8 quarters) rolling average of the Foundation's total assets Prior to July 2012, the Foundation's policy was to appropriate for distribution each year a maximum of 5% of the two year (8 quarters) rolling average of the market value of each endowment fund, although (absent donor stipulations) they are not required to approximate any amount for distribution In establishing this policy, the Foundation considered the long-term expected return on its endowment Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration Deficiencies of this nature, which are reported in unrestricted net assets, were approximately none and $66,000 as of June 30, 2013 and 2012, respectively These deficiencies resulted from unfavorable market fluctuations The Foundation reported these losses as a reduction of the Foundation's unrestricted, for general use, net assets

The endowment net asset composition by type of fund consisted of the following as of June 30, 2013 and 2012 (dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		June 30, 2013		
Donor-restricted funds	$ -	$ 3,356	$ 24,669	$ 28,025
Board-designated (quasi) endowment funds	4,909	-	-	4,909
	$ 4,909	$ 3,356	$ 24,669	$ 32,934
		June 30, 2012		
Donor-restricted funds	$ (66)	$ 3,240	$ 23,886	$ 27,060
Board-designated (quasi) endowment funds	4,241	-	-	4,241
	$ 4,175	$ 3,240	$ 23,886	$ 31,301

Note 14. Endowments (Continued)

Changes in endowment net assets for the years ended June 30, 2013 and 2012 consisted of the following (dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2013		
Endowment net assets, beginning of year	$ 4,175	$ 3,240	$ 23,886	$ 31,301
Net asset reclassification from nonendowment unrestricted	225	-	-	225
Endowment net assets, after reclassification	4,400	3,240	23,886	31,526
Investment return				
Investment income	307	616	45	968
Change in net unrealized gain (loss)	202	49	57	308
	509	665	102	1,276
Contributions	-	-	515	515
Appropriation of endowment funds for expenditures	-	(549)	-	(549)
Change in estimate of beneficial interest in trusts	-	-	166	166
Endowment net assets, end of year	$ 4,909	$ 3,356	$ 24,669	$ 32,934
		2012		
Endowment net assets, beginning of year	$ 3,891	$ 3,020	$ 22,885	$ 29,796
Net asset reclassification from nonendowment unrestricted	344	-	-	344
Endowment net assets, after reclassification	4,235	3,020	22,885	30,140
Investment return				
Investment income	662	661	388	1,711
Change in net unrealized gain (loss)	(722)	(198)	(389)	(1,309)
	(60)	463	(1)	402
Contributions	-	-	1,138	1,138
Appropriation of endowment funds for expenditures	-	(243)	-	(243)
Change in estimate of beneficial interest in trusts	-	-	(136)	(136)
Endowment net assets, end of year	$ 4,175	$ 3,240	$ 23,886	$ 31,301