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

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

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Sartori Memorial Hospital Inc		D Employer identification number 42-0758901	
	Doing Business As			
	Number and street (or P O box if mail is not delivered to street address) 515 College Street Suite	Room/suite	E Telephone number (319) 272-8000	
	City or town, state or country, and ZIP + 4 Cedar Falls, IA 50613		G Gross receipts \$ 38,827,343	
	F Name and address of principal officer Jack Dusenbery 3421 West Ninth Street Waterloo, IA 507025499		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.wheatoniowa.org		

Part I **Summary**

Activities & Governance	1 Briefly describe the organization's mission or most significant activities General inpatient and outpatient acute health care services		
	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	8
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	5
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	308
	6 Total number of volunteers (estimate if necessary)	6	174
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	b Net unrelated business taxable income from Form 990-T, line 34	7b	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	423,746	353,491
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	35,413,336	36,338,399
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,688	27,479
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	371,016	1,788,668
		36,210,786	38,508,037
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	89,170	61,867
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	13,101,493	13,190,549
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	16,840,668	17,778,006
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	30,031,331	31,030,422
	19 Revenue less expenses Subtract line 18 from line 12	6,179,455	7,477,615
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	14,977,465	14,627,755
	21 Total liabilities (Part X, line 26)	2,848,069	2,743,971
	22 Net assets or fund balances Subtract line 21 from line 20	12,129,396	11,883,784

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	*****				2014-05-15		
	Signature of officer				Date		
	MICHELE M PANICUCCI Senior VP and CFO Type or print name and title						
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature		Date	Check ☐ if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶		
	Firm's address ▶				Phone no		

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

AS A MEMBER OF WHEATON FRANCISCAN HEALTHCARE, OUR AFFILIATES STRIVE TO LIVE OUT THE HEALING MINISTRY OF THE JUDEO-CHRISTIAN TRADITION WHILE PROVIDING EXCEPTIONAL AND COMPASSIONATE HEALTHCARE SERVICES THAT PROMOTE THE DIGNITY AND WELL BEING OF THE PATIENTS AND COMMUNITIES WE SERVE. OUR VISION IS TO BE RECOGNIZED FOR SUPERIOR HEALTHCARE SERVICE, CLINICAL EXCELLENCE, AS THE HEALTHCARE EMPLOYER OF CHOICE, AND THE PREFERRED PARTNER OF PHYSICIANS.

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.

(Code	) (Expenses \$	25,910,608	including grants of \$	61,867) (Revenue \$	37,793,408
WHEATON FRANCISCAN SERVICES, INC (WFSI) is a Catholic, not-for-profit health care and housing organization serving at sites in Wisconsin, Iowa, Illinois, and Colorado The System includes 15 hospital sites*, three transitional and extended-care facilities, two home health agencies, more than 3,000 physicians, more than 70 clinic sites with 518 employed physicians, and approximately 2,620 units of assisted living and other housing, and the corporate services offices in Wheaton, Illinois, and Glendale, Wisconsin Started more than 130 years ago and formally incorporated in 1983, WFSI is committed to living out the Mission and Values of its Sponsors, the Wheaton Franciscan Sisters, by providing excellent and compassionate health care and housing services to all, regardless of their ability to pay WFSI was incorporated in 1983 to preserve and strengthen Judeo-Christian values, provide a framework for lay expertise and involvement, respond to an increasingly complex environment, ensure continuity of Franciscan sponsorship, and assure viability and excellence throughout the organization As a not-for-profit organization, WFSI reinvests all net income into the communities it serves Its multiple entities are dedicated to delivering quality health care to patients and residents through highly-trained staff, advanced technology, and superior and compassionate service, caring for each person's body, mind, and spirit with respect and dignity, working to improve the health of the communities, and ensuring health care access for everyone WFSI is organized into market-based regional holding companies organized in the Southeast, Wisconsin region, as well as other regional holding companies conducting services in Illinois, Iowa, and Colorado The System's housing and spiritual development services are organized under the holding company name of Franciscan Ministries, Inc Since 2006, the "doing business as" name for WFSI's health care ministry has been Wheaton Franciscan Healthcare (WFH) 2012 marked the 11th consecutive year Wheaton Franciscan Healthcare in Southeast Wisconsin was named one of the top 100 most efficient, best performing health care networks in the nation, according to IMS (formerly SDI), the nation's premier integrated health network (IHN) evaluation system The top 100 ranking is based on integration in areas such as managed care, information systems, and physician affiliations Wheaton Franciscan Healthcare scored above the nation's top 100 integrated health networks' average score in the areas of hospital utilization, physician participation, services and access, outpatient utilization, integration, and integrated technology Other national recognitions include being named one of the best performing 50 systems in Thompson Reuters' 100 Top Hospitals Health Systems Quality/Efficiency Study in 2009 Wheaton Franciscan Healthcare has been recognized for its dedication to patient privacy and is now a FairWarning Ready Certified Care Provider Wheaton received the certification for taking cutting-edge measures to ensure sensitive patient information is protected at all times, and patient privacy monitoring is one of the essentials Wheaton Franciscan Healthcare is also a recipient of the ECRI Institute's Healthcare Supply Chain Achievement Award The award honors organizations that demonstrate excellence in overall cost management and in adopting best practice solutions in supply chain processes Wheaton is one of five health care organizations nationwide to be honored Wheaton Franciscan Healthcare has also received a 2009 VIP Award from McKesson Technology Solutions for its success in using information technology to enhance patient safety across nine hospital sites and more than 100 physician offices The VIP Awards are presented annually to organizations that demonstrate vision, innovation and performance in the use of healthcare IT Wheaton Franciscan Healthcare was one of five health care organizations selected by a panel of experts in the field of health care IT use to receive the award Please see our full 2013 Annual Report online at www.WheatonAnnualReport.org CORPORATE STRUCTURE Parent Company Wheaton Franciscan Services, Inc DBA Wheaton Franciscan Healthcare Health care ministry Wheaton Franciscan Healthcare Housing ministry Franciscan Ministries, Inc Health Care Mission Wheaton Franciscan Healthcare is committed to living out the healing ministry of Jesus by providing exceptional and compassionate health care service that promotes the dignity and well being of the people we serve Health Care Vision Our health ministries will be recognized in each community we serve for superior and compassionate patient service, clinical excellence, as the health care employer of choice, and the preferred partner of physicians Housing Mission Franciscan Ministries is committed to providing quality and affordable housing in a compassionate environment that promotes wholeness of life within ourselves and the communities we serve Housing Vision Our housing ministries will be recognized for excellence in property management and a well-integrated network of support services that provide hope, growth, and opportunity Values Our common Values, which flow from our Mission and Catholic tradition, must have meaning for every one of us Through them we put the healing ministry of Jesus into practice throughout the Wheaton Franciscan System Respect We value each person as sacred, created in the image and likeness of God, which gives worth and meaning to each person's life Integrity We value honesty and words and actions that build trust Development We value personal and professional growth that combines the physical, emotional, spiritual and relational aspects of life and work Excellence We value superior performance in our work and service Stewardship We value our responsibility to use human, financial, and natural resources entrusted to us for the common good, with special concern for those who are poor WHEATON FRANCISCAN HEALTHCARE Wheaton Franciscan Services, Inc 's health care division, doing business as Wheaton Franciscan Healthcare (WFH), consists of facilities in Illinois, Iowa, and Wisconsin SYSTEM STATISTICS Hospital Sites 15 Staffed Hospital beds 1,679 Long-term Care Facilities 3 Home Health Agencies 2 Units of Housing 2,620 Associates 17,229 Affiliated Physicians 2,172 Employed Physicians 518 Emergency Room Visits 332,308 Newborns 8,418 Hospital Admissions 66,820 Hospital Patient Days 322,563 Skilled Nursing Unit Patient Days 19,025 Long-term Care Facility Patient Days 83,354 Hospital Outpatient Visits 1,576,902 Hospice Days 27,743 Home Health Visits 124,106 Medical Group Physician Visits 1,518,467 WFH ORGANIZATIONS Iowa Covenant Medical Center, Inc Mercy Hospital of Franciscan Sisters, Inc Sartori Memorial Hospital, Inc Covenant Clinic Covenant Foundation, Inc Sartori Health Care Foundation, Inc Illinois Marianjoy Rehabilitation Hospital and Clinics Marianjoy Medical Group Marianjoy Foundation RUSH OAK PARK HOSPITAL, Inc OSF Services Canticle Ministries Upendo Village Wisconsin Wheaton Franciscan - Elmbrook Memorial, Midwest Spine and Orthopedic Hospital and Wisconsin Heart Hospital, and St Joseph Campuses All Saints St Francis Franklin Franciscan Woods The Terrace at St Francis Wheaton Franciscan Home Health Wheaton Franciscan Hospice Wheaton Franciscan Laboratories Wheaton Franciscan Medical Group All Saints Foundation Volunteers in Partnership with Wheaton Franciscan Healthcare-All Saints St Joseph Foundation Elmbrook Memorial Foundation Circle of Life Foundation The Foundation for St Francis and Franklin AFFILIATIONS INCLUDE Midwest Orthopedic Specialty Hospital - Franklin, WI United Hospital System - Kenosha, Wisconsin St Catherine's Medical Center and Kenosha Medical Center Campuses WHEATON FRANCISCAN HEALTHCARE COMMUNITY IMPACT FOR SYSTEM / 2013 Charity Care \$43,946,084 Charity Care is defined as free or discounted health services provided to those who cannot afford to pay and who meet all criteria for financial assistance Charity care is based on actual costs, not charges, and does not include bad debt Unreimbursed cost of public programs \$99,435,176 Unreimbursed cost of public programs is defined as the shortfall experienced when payments received are below the cost of treating public beneficiaries through Medicaid and other local public programs Community Health Improvement Services \$3,807,719 Community Health Improvement Services are defined as clinical and non-clinical services designed to improve community health, which are provided to the community for free or for fees that did not cover costs Financial contributions \$2,697,345 Financial contributions are defined as contributions, including cash, non-cash items such as food, furniture, equipment, supplies, and loaned staff for volunteer and charitable purposes, made to individuals, community group					

[illegible][illegible]

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

4e	Total program service expenses	25,910,608
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Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	Yes	
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	Yes	
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	8	
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			
1b	Enter the number of voting members included in line 1a, above, who are independent	5	
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
7b	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		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

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 TIMOTHY HUBER 3421 WEST NINTH STREET WATERLOO, IA (319) 272-7607

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Diane Heindl MD Secretary / Ex-Officio - Direc	0 0 40 0	X		X					170,626	25,947
(2) Jack Dusenbery Director	0 0 40 0	X		X					621,591	82,034
(3) Nick Evens Director	1 0	X								
(4) John Fuller Director	1 0	X								
(5) Noreen Hermansen Director	1 0	X								
(6) Tom Strub DDS Director	1 0	X								
(7) Tayna Warren Director	1 0	X								
(8) Ann Jones-Lyons Vice Chair - Director	1 0	X		X						
(9) Rose Fowler VP Operations	40 0			X				250,696		39,580
(10) Michele Panicucci Asst Treasurer	0 0 40 0			X					388,861	69,317
(11) Paul Franke MD VP Medical Affairs	0 0 40 0				X				414,355	30,099
(12) Nancy Weber Sr VP and Chief Nursing Office	0 0 40 0				X				294,919	369,530
(13) Chnstopher Hyers VP Business Development	0 0 40 0				X				265,849	46,449
(14) Phyllis Doulavens Sr VP and Chief Nursing Office	0 0 40 0				X					
(15) James Lehman MD VP Medical Affairs	0 0 40 0				X					
(16) Kelly Wolf Pharmacist	40 0					X		121,492		9,971
(17) Carl Vanderkooi MD Director	0 0 40 0						X		164,366	23,646

Part VII

(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)								372,188	2,320,567	696,573

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 **1** 2

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Emergency Practice Associates Inc , PO Box 1260 WATERLOO IA 507041260	Physician Services	1,291,098
Xygent Inc , 9961 Valley View Road EDEN PRAIRIE MN 55344	Surgical Services	387,963
Schumacher Elevator Company , PO Box 393 DENVER IA 50622	Construction	123,016

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 ➤3

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	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	63,060			
	d	Related organizations 1d	251,058			
	e	Government grants (contributions) 1e	20,614			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	18,759			
	g	Noncash contributions included in lines 1a-1f \$	8,673			
	h	Total. Add lines 1a-1f	353,491			
Program Service Revenue	2a	NET PROGRAM SERVICE REVENUE				
		Business Code				
		900099	16,760,400	16,760,400		
	b	MEDICARE/MEDICAID PAYMENTS	900099	19,577,999	19,577,999	
	c					
	d					
	e					
	f	All other program service revenue				
Other Revenue	g	Total. Add lines 2a–2f	36,338,399			
	3	Investment income (including dividends, interest, and other similar amounts)	26,932			26,932
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents	(i) Real	(ii) Personal		
			505,089			
			281,085			
			224,004	0		
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)	224,004	66,207		157,797
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
				5,134		
				4,587		
				547		
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)	547			547
	8a	Gross income from fundraising events (not including \$ 63,060 of contributions reported on line 1c) See Part IV, line 18				
		a	24,963			
	b	Less direct expenses b	33,634			
	c	Net income or (loss) from fundraising events	-8,671			-8,671
	9a	Gross income from gaming activities See Part IV, line 19				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
		a				
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
	Miscellaneous Revenue		Business Code			
	11a	ELECTRONIC HEALTH RECORD	900099	1,388,802	1,388,802	
	b	GIFT SHOP	453220	41,780		41,780
	c	CAFETERIA	900099	93,548		93,548
	d	All other revenue		49,205		49,205
	e	Total. Add lines 11a–11d	1,573,335			
	12	Total revenue. See Instructions	38,508,037	37,793,408		361,138

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.	61,867	61,867		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	290,276		290,276	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	10,262,255	10,052,405	209,850	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	579,360	567,513	11,847	
9	Other employee benefits.	1,293,847	1,267,389	26,458	
10	Payroll taxes.	764,811	753,241	11,570	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	0			
c	Accounting.	0			
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	1,397,033	1,397,033		
12	Advertising and promotion.	1,297	1,297		
13	Office expenses.	1,473,478	1,447,808	25,670	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	635,600	635,600		
17	Travel.	14,366	12,619	1,747	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	11,683	11,314	369	
20	Interest.	22,980		22,980	
21	Payments to affiliates.	299,205	299,205		
22	Depreciation, depletion, and amortization.	1,421,547	1,421,370	177	
23	Insurance.	0			
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	PURCHASED SERVICES	1,325,774	1,325,774		
b	MEDICAL SUPPLIES	5,044,186	5,044,163	23	
c	BAD DEBT EXPENSE	1,115,884	1,115,884		
d	CORPORATE SERVICES ALLOCATION	3,016,760		3,016,760	
e	All other expenses	1,998,213	496,126	1,502,087	
25	Total functional expenses. Add lines 1 through 24e.	31,030,422	25,910,608	5,119,814	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)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		0	1	0
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		4,381,256	4	4,763,374
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		287,304	8	305,618
	9	Prepaid expenses and deferred charges		0	9	0
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a25,846,380			
	b	Less accumulated depreciation	10b16,445,654	10,288,346	10c	9,400,726
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		20,559	15	158,037
	16	Total assets. Add lines 1 through 15 (must equal line 34)		14,977,465	16	14,627,755
Liabilities	17	Accounts payable and accrued expenses		1,599,551	17	1,530,949
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		1,248,518	25	1,213,022
	26	Total liabilities. Add lines 17 through 25		2,848,069	26	2,743,971
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		12,129,396	27	11,883,784
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		12,129,396	33	11,883,784
	34	Total liabilities and net assets/fund balances		14,977,465	34	14,627,755

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	38,508,037
2	Total expenses (must equal Part IX, column (A), line 25)	2	31,030,422
3	Revenue less expenses Subtract line 2 from line 1	3	7,477,615
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	12,129,396
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-7,723,227
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	11,883,784

Part XII Financial Statements and Reporting

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

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

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 Sarton Memorial Hospital Inc	Employer identification number 42-0758901
--	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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 IIISupport 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

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Sartori Memorial Hospital Inc	Employer identification number 42-0758901
---	--

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															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ 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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		4,668
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		0
j	Total. Add lines 1c through 1i.			4,668
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
Schedule C Disclosures	Part II-B Line 1i	Wheaton Franciscan Healthcare and Franciscan Ministries are part of a controlled group of healthcare and housing organizations that are related through a common parent organization. Certain entities within this controlled group engage in limited lobbying activities that benefit each organization collectively. Wheaton Franciscan Healthcare employs one full time Vice President of Strategic Planning and Government Relations whose duties include a portion of lobbying activities. These lobbying activities approximate 20% of total annual salary. A benefits factor of 25% is added, and the total is allocated amongst the organizations receiving the benefit of these services. The lobbying activities include such things as preservation of Medicare and Medicaid funding, monitoring federal legislation that may impact the organization, participating in and coordinating visits with elected officials, coordinating advocacy activities in conjunction with relevant trade associations, and providing awareness on specific state related legislative issues when the need arises (e.g., state hospital assessment legislation in Wisconsin). The portion of direct expenses related to annual employee business travel to Washington DC or other locations, in order to lobby for issues important to healthcare providers and patients, have been included if applicable. Finally, any trade association dues containing a percentage portion allocable to lobbying activities, has been added or estimated, as appropriate. Lobbying expenses incurred by each organization directly, are reflected on their respective IRS Form 990, and can be summarized as follows: Wheaton Franciscan Services, Inc. #36-3262111 \$61,723 Wheaton Franciscan Healthcare - Southeast Wisconsin, Inc. #39-1566865 \$57,464 Wheaton Franciscan, Inc. #39-0816857 \$17,376 Wheaton Franciscan Healthcare - St. Francis, Inc. #39-0907740 \$9,567 Wheaton Franciscan Healthcare - All Saints, Inc. #39-1264986 \$10,156 Wheaton Franciscan Healthcare - Franklin, Inc. #56-2592868 \$2,300 Wheaton Franciscan Home Health and Hospice, Inc. #39-1559428 \$852 Marianjoy, Inc. #36-3483589 \$5,035 Marianjoy Rehabilitation Hospitals and Clinics, Inc. #36-2680776 \$14,507 Wheaton Franciscan Healthcare - Iowa, Inc. #42-1177001 \$5,035 Covenant Medical Center, Inc. #42-1264647 \$26,692 Sartori Hospital, Inc. #42-0758901 \$4,668 Mercy Hospital, Inc. #42-1178403 \$2,069 TOTAL LOBBYING EXPENSES \$217,444

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Sarton Memorial Hospital Inc

Employer identification number
42-0758901

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

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

☐

Part V

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

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

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

Describe in Part XIII the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		7,948,125	2,813,943	5,134,182
c Leasehold improvements				
d Equipment		15,060,103	11,944,600	3,115,503
e Other		2,838,152	1,687,111	1,151,041
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				9,400,726

Schedule D (Form 990) 2012

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Form 990-EZ filers are not required to complete this part.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Sartori Memorial Hospital Inc

Employer identification number
42-0758901

Part I Fundraising Activities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1

Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a

☐ Mail solicitations

e

☐ Solicitation of non-government grants

b

☐ Internet and email solicitations

f

☐ Solicitation of government grants

c

☐ Phone solicitations

g

☐ Special fundraising events

d

☐ In-person solicitations

2a

Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☐ Yes

☐ No

b

If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total ▶						

3

List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing.

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		Fstvl of Trees (event type)	May Breakfast (event type)	0 (total number)	(add col (a) through col (c))
Revenue	1	Gross receipts	79,507	8,517	88,024
	2	Less Contributions . . .	61,076	1,984	63,060
	3	Gross income (line 1 minus line 2)	18,431	6,533	24,964
Direct Expenses	4	Cash prizes			
	5	Noncash prizes	338		338
	6	Rent/facility costs . . .	2,200	419	2,619
	7	Food and beverages .	7,108		7,108
	8	Entertainment	250		250
	9	Other direct expenses .	23,320		23,320
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			
	11	Net income summary Combine line 3, column (d), and line 10 ▶			

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1	Gross revenue			
	2	Cash prizes			
	3	Non-cash prizes			
	4	Rent/facility costs			
	5	Other direct expenses . . .			
Direct Expenses	6	Volunteer labor			
	7	Direct expense summary Add lines 2 through 5 in column (d) ▶			
	8	Net gaming income summary Combine lines 1 and 7 in column (d) ▶			

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name 

Address 

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization  \$ _____ and the amount of gaming revenue retained by the third party  \$ _____

c If "Yes," enter name and address of the third party

Name 

Address 

16 Gaming manager information

Name 

Gaming manager compensation  \$

Description of services provided 

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year  \$ _____

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
Sartori Memorial Hospital Inc

Employer identification number
42-0758901

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			345,517		345,517	1 160 %
b Medicaid (from Worksheet 3, column a)			1,301,309	1,029,364	271,945	0 910 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			1,646,826	1,029,364	617,462	2 070 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			10,602		10,602	0 040 %
f Health professions education (from Worksheet 5)			112,112		112,112	0 370 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			25,657		25,657	0 090 %
j Total Other Benefits			148,371		148,371	0 500 %
k Total. Add lines 7d and 7j			1,795,197	1,029,364	765,833	2 570 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements			51,580		51,580	0 170 %
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			51,580		51,580	0 170 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

1,115,884

3Enter 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

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

5

8,828,512

6Enter Medicare allowable costs of care relating to payments on line 5.

6

9,998,514

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-1,170,002

8Describe 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

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

Yes

Part IVManagement Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Sartori Memorial Hospital Inc 515 College Street Cedar Falls,IA 50613 http //www.wheatoniowa.org	X	X					X			1

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)

Sartori Memorial Hospital Inc

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
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 <u>13</u>		
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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a ☒ Income level					
b ☒ Asset level					
c ☒ Medical indigency					
d ☒ Insurance status					
e ☒ Uninsured discount					
f ☒ Medicaid/Medicare					
g ☐ State regulation					
h ☒ Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a ☒ The policy was posted on the hospital facility's website					
b ☐ The policy was attached to billing invoices					
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d ☐ The policy was posted in the hospital facility's admissions offices					
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility					
f ☒ The policy was available upon request					
g ☒ Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP					
a ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ Other similar actions (describe in Part VI)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?				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? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

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

Part V

Facility Information (continued)

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

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

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
Schedule H Supplemental Information	Various - see the following references	Schedule H Part 1 Line 6a The Annual Report that outlines the Hospital's community benefit information is contained in a report prepared by the system, Wheaton Franciscan Services, Inc (FEIN #36-3262111) which is the ultimate parent organization of an integrated health care system operated in Wisconsin, Illinois, Iowa, and Colorado For more information, please see our annual report at www.mywheaton.org It is available under "About Wheaton" by selecting "Community Impact," and scrolling down to "2013 Annual Report" Schedule H Part 1 Line 7 Community Benefit amounts are reported using total actual costs per the hospital's managerial accounting system in use, which includes all patient segments including inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, Medicare HMO, uninsured, and self-pay patients Medicare is reported using the most recently filed cost report at the time the Annual Report and related community benefit information are published Amounts are compiled using a software application recommended by the Catholic Health Association because it has the ability to provide the information in a format suitable for Schedule H presentation After the data is entered by the Site Finance Directors, its accuracy is verified by employees who are trained in community benefit reporting, and then approved by the Chief Financial Officer and the President/CEO of the organization After amounts are verified and approved, community benefit amounts become finalized Wheaton Franciscan Healthcare complies with Illinois state law which requires reporting to the Attorney General's Office Additionally, Wheaton Franciscan Healthcare voluntarily reports community benefit information in Wisconsin and Iowa by making the information readily available on certain websites Finally, the information is compiled with the assistance of the software, for presentation in IRS Forms 990 Schedule H and Statement of Program Service Accomplishments Part III Schedule H Part 1 Line 7 Column f Wheaton Franciscan Healthcare organizations follow guidelines established by the Catholic Health Association, who recommends that bad debt expense not be included in community benefit amounts As a result of this applied methodology, a total amount of \$1,115,884 has not been included in the calculation of the percentages reported on Schedule H Line 7 Column f Schedule H Part 1 Line 7g In the Southeast Wisconsin and Marianjoy regions, physician clinics are operated by a separate legal entity and are therefore not included in Community Benefit amounts on hospital 990's In the Iowa region, clinic operations are included as a department of the hospital, Covenant Medical Center, Inc Clinic operations for the Iowa clinics are included only in the community benefit reporting of charity care, government sponsored health care, and Medicare shortfall Therefore, for all entities, including Covenant Medical Center, Inc , costs related to physician clinics are not included in subsidized health services reported on Schedule H Part I Line 7g Schedule H Part III Section A Lines 1-4 As part of an annual process, affiliates of Wheaton Franciscan Healthcare complete a consolidated audit each year, which for June 30, 2013, contained a footnote on Bad Debt which appeared under item (3) "Summary of Significant Accounting Policies" on page 14 of the attached audited financial statements Note that while FASB ASU 2011-07 requires certain organizations present bad debt as a reduction from patient service revenue for financial statement presentation, for IRS Form 990 presentation, these amounts are classified as bad debt expense It is the practice of Wheaton Franciscan Healthcare to record actual bad debt expense for each organization at the time the amount due is determined to be uncollectible, and thus written off With the onset of presumptive care effective July 1, 2011, practices are now in place to retroactively determine a patient's eligibility under Wheaton's Charity Care Policy, and remove those amounts from bad debt expense in order to correctly show these patients as charity care Wheaton Franciscan Healthcare's position is therefore that none of the patients resulting in uncollectible accounts would have qualified as charity care patients as this determination is made at the time of admission, and corrective action is taken based on presumptive care Bad debt expense is only determined after many months of collection efforts, and for this reason Part III Section A Line 3 is reported as none (ie at zero) Additionally, since the organization follows guidelines established by the Catholic Health Association and the related state counterpart in Wisconsin, Iowa, or Illinois as appropriate, Wheaton Franciscan Healthcare does not include any form of bad debt expense in its annual reporting of community benefit amounts Schedule H Part III Section B Line 6-8 Schedule H Part III Section B Line 6 reports "allowable costs of care" as taken from the most recently filed Medicare cost report available at the time the Community Benefit Report is published The Medicare cost report calculates its allowable total costs based on applicable Medicare regulations Medicare and Medicaid cost is determined using individual cost center cost-to-charge ratios This cost to charge ratio is determined using all payer cost and all payer charges The cost to charge ratio is applied to the actual Medicare and Medicaid charges to determine the Medicare and Medicaid cost This organization has adopted the cost and charge practices as recommended by the Catholic Health Association and the Wisconsin, Iowa, or Illinois Hospital Association as applicable, and therefore, does not count any Medicare shortfall numbers in its annual reporting of Community Benefit amounts While we are not allowed to report Medicare HMO shortfalls as a component of the total Medicare shortfall reported on Schedule H Part III Section B Line 7 based on currently written IRS instructions, it is noteworthy to mention that had we been allowed to include Medicare HMO, our shortfall would have been higher by \$222,725, for a total adjusted Medicare Shortfall (including Medicare HMO) of \$1,392,727 Schedule H Part III Section C Line 9b Wheaton Franciscan Healthcare has a policy that outlines all collection practices for patients who are known to qualify for government programs and for our charity care program We make every attempt to assist the patient in enrolling in government insurance plans or our own charity care program allowing for free or discounted care If the patient does not qualify for any type of aid or charity care, declines to establish a reasonable payment plan or pay the liability, the patient will be moved into a bad debt status, and the account is sent to a collection agency This does not occur before the patient has received several notices and a final written warning Schedule H Part V Section A and Section C Affiliates of Wheaton Franciscan Healthcare have defined and reported "hospital facilities" to include only those bricks and mortar buildings that actually have inpatient beds, in addition to meeting all other criteria under Wisconsin, Iowa, or Illinois state laws, as applicable, required for hospital licensing Although there are other facilities within our system built to hospital standards, performing hospital-based billing, and conforming to other "hospital" standards under state law, until there is further guidance from the IRS, these facilities have been reported in Section C, due to their lack of having state certified inpatient beds Schedule H Part V Section B Line 1j, 3, 4, 6i, and 7 Wheaton Franciscan Healthcare's Community Health Needs Reports provide additional detailed information in response to many of the Schedule H questions on our Community Health Needs Assessments and Implementation Plans These reports can be directly accessed for our various hospitals at the following websites Wisconsin Hospital Facilities Please go to www.mywheaton.org and select "About Wheaton" then "Community Impact" At the bottom of this page there will be a link to each of our hospitals Select the applicable hospital, and to the left select "Community Needs Assessment" There are two reports available for each hospital facility, "Health Needs Report - Assessment of our Community" and "Answering the Call - Meeting our Community Needs" There are also various City and County reports, Health Survey reports, Secondary Data reports, and Key Informant Interview reports that support the findings in the final assessments and plans Iowa Hospital Facilities Please go to www.wheatoniowa.org and select "About Us", then "Commitment to the Community", then "Community Health Needs Assessment" One fully summarized report is assessable for each of the three Iowa Hospital Facilities that contains detailed information on the Community Health Needs Assessment, Implementation Plan, and all supporting data I

OMB No 1545-0047

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

Open to Public Inspection

Employer identification number	
--------------------------------	--

42-0758901

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

(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,	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
--	---------	------------------------------------	--------------------------	-----------------------------------	--	--	------------------------------------

(1) Sartori Healthcare
Foundation Inc
3421 West 9th St
Waterloo, IA 507025499

42-1240996

Support

Schedule I (Form 990) 2012

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
Schedule I Disclosures	Schedule I Part 1 Line 2	Wheaton Franciscan Healthcare and Franciscan Ministries maintain files and records to manage the decision-making and award process for organizations that it provides community sponsorship dollars to. Decisions are made by a Community Sponsorship Committee with leaders who hold positions in Diversity, Strategic Planning, Mission Services, Marketing and Philanthropy. The Committee generally strives to sponsor organizations that have missions that align with the mission, vision and values of Wheaton Franciscan Healthcare and/or Franciscan Ministries. The committee also looks for certain other criteria when deciding which organizations will receive contributions, including but not limited to supporting healthcare or housing related activities within the Southeast Wisconsin, Iowa, and Illinois markets, supporting programming that work to further diversity and cultural competency, aligning with other WFH business relationships or service lines, supporting student academic achievement or workforce development initiatives, and finally, supporting environmental "green" initiatives. Leaders periodically meet with representatives of sponsored organizations to discuss objectives including how dollars will be spent. Currently, confirmation letters are sent to sponsored organizations when award dollars are given, that confirm the dollar amount awarded and the intended purpose, with a request that the recipient acknowledge receipt of the funds in written correspondence. Files are maintained in the Organizational Change and Leadership Performance Department to include copies of letters of request, award and denial letters along with acknowledgement receipts from sponsored organizations.

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
Sarton Memorial Hospital Inc

Employer identification number
42-0758901

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)Rose Fowler VP Operations	(i) (ii)	177,828	72,500	368	26,158	13,422	290,276	
(2)Paul Franke MD VP Medical Affairs	(i) (ii)	313,496	99,000	1,859	13,417	16,682	444,454	
(3)Michele Panicucci Asst Treasurer	(i) (ii)	255,330	122,800	10,731	49,756	19,561	458,178	
(4)Diane Heindl MD Secretary / Ex-Officio - Direc	(i) (ii)	168,448	1,800	378	13,950	11,997	196,573	
(5)Nancy Weber Sr VP and Chief Nursing Office	(i) (ii)	213,501	74,300	7,118	243,394	126,136	664,449	
(6)Jack Dusenbery Director	(i) (ii)	391,587	219,800	10,204	48,175	33,859	703,625	
(7)Carl Vanderkooi MD Director	(i) (ii)	160,109	3,000	1,257	13,504	10,142	188,012	
(8)Christopher Hyers VP Business Development	(i) (ii)	181,108	74,500	10,241	19,709	26,740	312,298	

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
Schedule J Disclosure	Various - See the following references	Schedule J Part I Line 3 The compensation of the filing organization's CEO and/or the Executive Director is determined at the parent organization level, using the process described in Schedule O related to Part VI Section B Line 15. The parent organization, Wheaton Franciscan Services, Inc. (FEIN 36-3262111) uses a compensation committee, independent compensation consultants, and compensation surveys and studies to determine appropriate levels of compensation that are reflective of fair market value. All compensation is approved by the independent board and/or compensation committee, acting free from conflicts of interest. IRS Form 990 Part VII Section A and Schedule J Part II Phyllis Doulaveris is reported as having no calendar year 2012 compensation, because although she served as a board of directors member during the fiscal year ending June 30, 2013, she was not hired until after January 1, 2013. James Lehman MD is reported as having no calendar year 2012 compensation, because although he served as a board of directors member during the fiscal year ending June 30, 2013, he was not hired until after January 1, 2013. IRS Form 990 Part VII Section A Col F and Schedule J Part II Column D Nontaxable benefits of Nancy Weber include \$112,297 in accrued severance payments to be paid as wages in a future year.

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 Sartori Memorial Hospital Inc	Employer identification number 42-0758901
---	--

Identifier	Return Reference	Explanation
Schedule O Disclosures	Various - See the following references	
Schedule O Disclosures (cont'd)	Various - See the following references	IRS Form 990 Part VI Section B Line 15 The compensation of the CEO of Wheaton Franciscan Services Inc (WFSI) and other officers and key employees of the filing organization is reviewed and approved on an annual basis by the Executive Committee of the WFSI Board of Directors, an independent board, acting in a manner consistent with its conflicts of interest policy The board's decision is informed by an opinion on market comparable compensation data provided to the board by an independent compensation expert The organization maintains contemporaneous documentation of the substantiation of the deliberation and decision by the board Additionally, this 990 has reported an employed physician who has served as either an Officer, Director, or has been listed as a Key Employee Employed physicians have a slightly different compensation structure, depending on which organization they are employed by, as follows Compensation for the organization's President and other officers and key management employees, is reviewed and approved, as part of the Wheaton Franciscan Services, Inc Executive Compensation Plan, on an annual basis by the Executive Committee of the Wheaton Franciscan Services, Inc Board of Directors (the "Executive Committee of the WFSI Board"), an independent board, acting in a manner consistent with its conflicts of interest policy The Executive Committee of the WFSI Board's decision is informed by an opinion on market comparable compensation data provided to the board committee by an independent compensation expert The Executive Committee of the WFSI Board maintains contemporaneous documentation of the substantiation of the deliberation and decisions it makes For those officers and key employees that are paid for their services other than pursuant to the WFSI Executive Compensation Plan, the compensation terms are approved by the President of Covenant Medical Center, Inc and Wheaton Franciscan Services - Iowa, Inc In such case, decisions are made in accordance with the organization's conflict of interest requirements Although, in such case, the compensation paid pursuant to a contract is determined with reference to market comparable information Organizational policy requires that contemporaneous documentation of the same be maintained With respect to the organization's officers and key employees that are practicing physicians, the organization's physician compensation plan and other compensation arrangements are reviewed and approved on an annual basis by the Finance and Operations Committee of the Wheaton Franciscan Healthcare - Iowa, Inc Board of Directors (the "FOC of the Iowa Board"), an independent board, and acting in a manner consistent with its conflicts of interest policy The decision of the FOC of the Iowa Board is informed by a report on market comparable compensation data The FOC of the Iowa Board maintains contemporaneous documentation of the substantiation of the deliberation and decisions it makes IRS Form 990 Part VI Section C Line 19 Affiliates of Wheaton Franciscan Healthcare and Franciscan Ministries provide upon request certain documents including our financial statements, conflict of interest policy, and governing documents that support our tax exempt status, including, but not limited to, articles of incorporation and bylaws Requests for information are considered on a case-by-case basis, and this process is outlined in our Public Disclosure Policy As part of the requirements for tax exempt bond financing, the consolidated financial statements of Wheaton Franciscan Services, Inc (#36-3262111), the parent corporation of Wheaton Franciscan Healthcare and Franciscan Ministries affiliates are required to be provided each quarter to the Municipal Securities Rule Making Board (MSRB) The vehicle used to accomplish this is through an external website (http://emma.msrb.org/) referred to as "EMMA" (Electronic Municipal Market Access System) The financial statements are uploaded each quarter to the website, and along with other information provided at the bond's inception, are available for viewing by the general public IRS Form 990 Part VII Column B Wheaton Franciscan Healthcare and Franciscan Ministries are a controlled group of related healthcare and housing organizations As such, many employees who are at the Director level or above, or who are Officers and/or Directors of organizations where Wheaton has common boards and other overlaps, spend significant time devoted to tasks not only for the filing organization, but also for related organizations While there is no official time study tracking that is done, it is estimated that for each employee, tasks devoted to related organizations could approximate up to 80% or more of total hours IRS Form 990 Part VIII Lines 2a and 2b MEDICARE MEDICAID OTHER REV 44,932,510 4,002,007 45,911 ,182 CONT ALLOW (26,955,657) (2,400,861) (27,542,776) CHARITY (1,146,372) OTHER DEDUCTS (461,634) TOTAL 17,976,853 1,601,146 16,760,400 IRS Form 990 Part XI Line 9 Certain related organizations utilize receivable/payable accounts throughout the year These intercompany balances are settled through the equity account at the end of each fiscal year to bring the receivable/payable balances to zero Disclosure Statement Related to Forms 5471 Information return of US persons with respect to certain Foreign corporations filed on behalf of the taxpayer Under the constructive ownership rules of Internal Revenue Code Sections 958(a) and (b), the taxpayer is required to file Forms 5471, Information Return of US persons with respect to certain foreign corporations, as a category 5 filer with respect to certain controlled foreign corporations (cfc's) These filing requirements are or will be satisfied through the filing of Forms 5471 for these cfc's by other US taxpayers identified below who have the same filing requirement Taxpayer name Wheaton Franciscan Services, Inc Address 26 West 171 Roosevelt Road, Wheaton IL 60187 FEIN number of US Tax return with which form 5471 was filed 36-3262111 IRS Service Center where US Tax return was or will be filed e-filed

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
Sarton Memorial Hospital Inc

Employer identification number
42-0758901

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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	
(1) SRLM LTD PSHP(1) PO BOX 667 WHEATON, IL 60187 36-3811835	HOUSING	IL	SRLM INC						0			

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) WHEATON FRANCISCAN ENTERPRISES INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1985204	HOLDING CO	WI	WF HOLDINGS INC	C CORP					No
(2) WHEATON FRANCISCAN HOLDINGS INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1836357	HOLDING CO	WI	WFH-SE WI	C CORP					No
(3) WHEATON FRANCISCAN MED GRP-SUSSEX INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1361100	MED GROUP	WI	WF HOLDINGS INC	C CORP					No
(4) WHEATON FRANCISCAN PROVIDER NETWORK INC 400 WEST RIVER WOODS PARKWAY GLENDALE, WI 53212 39-1952140	PROVDR CONTRACT	WI	WFH-SE WI	C CORP					No
(5) WHEATON FRANCISCAN INSURANCE COMPANY 98-0691609	FINANCIAL	UK	WFSI						No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Sartori Healthcare Foundation Inc	C	251,058	Book value
(2) Sartori Healthcare Foundation Inc	B	61,867	Book value

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 42-0758901
Name: Sartori Memorial Hospital Inc

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
Schedule R Disclosures	Various - See the following references	Part II (2) Synergon Health System Inc is listed with no direct controlling entity because of the two organizations with an interest, Rush Presbyterian and OSF Services Inc, neither can appoint a majority of the board, therefore neither organization "controls" (3) UHS, Inc is listed without a direct controlling entity because of the two organizations with an interest, KHMC Community Board and OSF Services Inc, neither can appoint a majority of the board, and since KHMC is not an entity (it is a community board), neither body "controls" Part III (1) Starved Rock - LaSalle Manor, Ltd Partnership was terminated on 02/11/2013, and as such, this is the last fiscal year the organization will be listed as related

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WHEATON FRANCISCAN SERVICES, INC.

Consolidated Financial Statements and
Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

WHEATON FRANCISCAN SERVICES, INC.

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KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Wheaton Franciscan Services, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Wheaton Franciscan Services, Inc. (WFSI), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements. We did not audit the financial statements of Franciscan Ministries, Inc. (FMI), a wholly owned subsidiary, which statements reflect total assets constituting 4.7% for both 2013 and 2012 and total revenues constituting 1.5% and 1.6% in 2013 and 2012, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for FMI, is based solely on the reports of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wheaton Franciscan Services, Inc. as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
October 22, 2013

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Balance Sheets

June 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 25,660	59,870
Short-term investments	11,448	41,353
Assets whose use is limited – required for current liabilities	57,286	56,951
Patient accounts receivable, net of uncollectible accounts of approximately \$56,767 in 2013 and \$55,626 in 2012	220,309	201,437
Securities lending collateral	—	4,514
Inventories of supplies	25,229	25,309
Prepaid expenses and other	46,285	42,225
Total current assets	<u>386,217</u>	<u>431,659</u>
Noncurrent assets whose use is limited	733,766	722,853
Property, plant, and equipment, net	1,103,788	1,086,294
Other assets		
Restricted assets	19,288	16,739
Deferred expenses, net	5,367	5,523
Investments in unconsolidated affiliates	24,472	22,198
Other long-term assets	28,988	25,067
Total other assets	<u>78,115</u>	<u>69,527</u>
Total assets	\$ <u><u>2,301,886</u></u>	<u><u>2,310,333</u></u>
Liabilities and Net Assets		
Current liabilities		
Current installments of long-term debt – bonds	\$ 11,760	9,255
Long-term debt subject to short-term remarketing agreements	39,978	40,038
Current installments of long-term debt – mortgages	8,234	1,912
Accounts payable and accrued expenses	255,221	265,571
Payable under securities lending agreement	—	4,514
Estimated third-party payor settlements	18,817	22,383
Total current liabilities	<u>334,010</u>	<u>343,673</u>
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	699,131	712,233
Long-term debt, excluding current installments – mortgages	30,738	36,298
Accrued pension liability	136,712	298,198
Other	101,913	98,008
Total liabilities	<u>1,302,504</u>	<u>1,488,410</u>
Net assets		
Unrestricted	980,094	805,184
Temporarily restricted	16,190	13,842
Permanently restricted	3,098	2,897
Total net assets	<u>999,382</u>	<u>821,923</u>
Total liabilities and net assets	\$ <u><u>2,301,886</u></u>	<u><u>2,310,333</u></u>

See accompanying notes to consolidated financial statements

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Net patient service revenues before bad debt	\$ 1,642,700	1,622,196
Provision for bad debts	75,197	80,564
Net patient service revenues	<u>1,567,503</u>	<u>1,541,632</u>
Other revenues:		
Other	194,413	180,144
Net assets released from restrictions	1,499	1,766
Total revenues	<u>1,763,415</u>	<u>1,723,542</u>
Expenses:		
Salaries and fringe benefits	1,015,594	986,429
Purchased services, supplies, and other	566,539	550,361
Interest	33,119	34,346
Depreciation and amortization	108,675	108,841
Total expenses	<u>1,723,927</u>	<u>1,679,977</u>
Income from operations	<u>39,488</u>	<u>43,565</u>
Nonoperating gains (losses):		
Investment return	26,242	17,517
Loss on early extinguishment of debt	—	(123)
Loan forgiveness	—	797
Swap valuation adjustments	2,037	(1,294)
Loss on sale of business assets	—	(770)
Other, net	855	(22,369)
Nonoperating gains (losses), net	<u>29,134</u>	<u>(6,242)</u>
Revenues and gains in excess of expenses and losses before discontinued operations	68,622	37,323
Gain from discontinued operations (including loss on sale of \$2,318 in 2012)	<u>—</u>	<u>4,403</u>
Revenues and gains in excess of expenses and losses	68,622	41,726
Other changes in unrestricted net assets:		
Net assets released from restrictions used for purchase of property, plant, and equipment	2,135	2,707
Change in unrecognized net defined-benefit plan costs	103,708	(151,426)
Equity transactions of unconsolidated affiliates and other, net	445	(3,903)
Change in unrestricted net assets	<u>\$ 174,910</u>	<u>(110,896)</u>

See accompanying notes to consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted net assets:		
Revenues and gains in excess of expenses and losses	\$ 68,622	41,726
Net assets released from restrictions used for purchase of property, plant, and equipment	2,135	2,707
Change in unrecognized net defined-benefit plan costs	103,708	(151,426)
Equity transactions of unconsolidated affiliates and other, net	445	(3,903)
Change in unrestricted net assets	<u>174,910</u>	<u>(110,896)</u>
Temporarily restricted net assets:		
Contributions for specific purposes	5,557	4,417
Net assets released from restrictions used for purchase of property, plant, and equipment	(2,135)	(2,707)
Net assets released from restrictions for operations	(1,499)	(1,766)
Investment income	425	486
Equity transactions of unconsolidated affiliates and other, net	—	(2,232)
Change in temporarily restricted net assets	<u>2,348</u>	<u>(1,802)</u>
Permanently restricted net assets:		
Contributions for endowment funds	—	100
Investment income	201	34
Change in permanently restricted net assets	<u>201</u>	<u>134</u>
Change in net assets	177,459	(112,564)
Net assets at beginning of year	<u>821,923</u>	<u>934,487</u>
Net assets at end of year	\$ <u>999,382</u>	<u>821,923</u>

See accompanying notes to consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 177,459	(112,564)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain from discontinued operations	—	(4,403)
Depreciation and amortization	108,675	108,841
Provision for bad debts	75,197	80,564
Amortization of bond issuance costs and premiums or discounts included in interest expense	(1,134)	(1,073)
Net realized and change in unrealized gains and losses on investments	(2,332)	3,162
Loss on early extinguishment of debt	—	123
Loan forgiveness	—	(797)
Loss on sale of business assets	—	770
Net assets released from restrictions and used for operations	1,499	1,766
Restricted contributions and investment income	(6,183)	(5,037)
Income of unconsolidated affiliates	(18,456)	(16,508)
Investment in unconsolidated affiliates, net of cash distributions	16,182	15,028
Change in unrecognized net defined-benefit plan costs, net of additional pension contribution in 2013 of \$57,777 and 2012 of \$17,488	(161,486)	133,938
Equity transactions of unconsolidated affiliates and other	(445)	6,135
Nonoperating gains – swap valuation adjustments	(2,037)	1,294
Changes in assets and liabilities		
Patient accounts receivable	(94,069)	(96,865)
Estimated third-party payor settlements, net	(3,566)	4,245
Inventories of supplies	80	(1,055)
Prepaid expenses and other	(4,172)	5,012
Deferred tax assets, net	—	13,408
Accounts payable and accrued expenses	(10,350)	9,441
Other liabilities	5,942	(6,924)
Net cash provided by continuing operating activities	<u>80,804</u>	<u>138,501</u>
Net cash used in operating activities of discontinued operations	—	(448)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(125,371)	(111,161)
Gross purchases of investments	(702,124)	(1,288,919)
Gross sales or maturities of investments	723,113	1,141,495
Proceeds from sale of business and other assets	—	167,565
Net change in notes receivable and other	(4,719)	145
Net change in restricted assets	(2,549)	1,668
Net cash used in continuing investing activities	<u>(111,650)</u>	<u>(89,207)</u>
Cash flows from financing activities		
Repayments of long-term debt – bonds	(9,255)	(35,790)
Repayments of long-term debt – mortgages	(11,798)	(2,416)
Proceeds from issuance of long-term debt-mortgages	12,560	—
Transfers from (to) unconsolidated affiliates and other	445	(2,600)
Net assets released from restrictions and used for operations	(1,499)	(1,766)
Proceeds from restricted contributions and investment income	6,183	5,037
Net cash used in continuing financing activities	<u>(3,364)</u>	<u>(37,535)</u>
Net change in cash and cash equivalents	(34,210)	11,311
Cash and cash equivalents at beginning of year	<u>59,870</u>	<u>48,559</u>
Cash and cash equivalents at end of year	\$ <u>25,660</u>	\$ <u>59,870</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 34,443	35,637

See accompanying notes to consolidated financial statements

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

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(In thousands)

(1) Organization

Wheaton Franciscan Services, Inc. (WFSI) is organized as an Illinois not-for-profit organization and operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values of the Franciscan Sisters. WFSI's subsidiaries provide: (1) general healthcare services to residents within their geographic locations including inpatient, outpatient, emergency room, physician, long-term care, and other related services and (2) affordable housing for low-income families and the elderly. Expenses included in the accompanying consolidated financial statements relate primarily to the provision of healthcare services, housing services, and general and administrative costs.

(2) Basis of Consolidation

WFSI considers all wholly owned or controlled entities in which it has an economic interest as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include WFSI and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

WFSI and its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except as follows:

- Wheaton Franciscan Holdings, Inc., Wheaton Franciscan Provider Network, Inc., Wheaton Franciscan Enterprises, Inc., and Wheaton Franciscan Medical Group – Sussex are for-profit organizations.
- Northeast Iowa Real Estate Investments, Ltd. is a not-for-profit corporation exempt from federal income taxes on related income under Section 501(c)(2) of the Code.

WFSI and certain of its subsidiaries (herein referred to as The Obligated Group) entered into a Master Trust Indenture (MTI), dated as of June 1, 1985 and amended and restated as of April 22, 2004, in order to obtain financing or refinancing for the acquisition or betterment of various hospital and long-term care facilities. The Obligated Group members comprise the following at June 30, 2013:

Wheaton Franciscan Services, Inc.

Southeast Wisconsin Region:

Wheaton Franciscan Healthcare – Southeast Wisconsin, Inc.

Wheaton Franciscan, Inc. (previously named St. Joseph Regional Medical Center, Inc., The Heart Hospital of Wisconsin, Inc., and Wheaton Franciscan Healthcare – Elmbrook Memorial, Inc.)

Wheaton Franciscan Healthcare – St. Francis, Inc.

Wheaton Franciscan Healthcare – Franklin, Inc.

Wheaton Franciscan Healthcare – All Saints, Inc.

Wheaton Franciscan Medical Group, Inc.

Marianjoy Rehabilitation Hospital & Clinics, Inc.

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Iowa Region:

Wheaton Franciscan Healthcare-Iowa Inc.
Covenant Medical Center, Inc.

St. Catherine's Hospital, Inc. (St. Catherine's)

The non-Obligated Group members are as follows:

O.S.F. Services, Inc.

Southeast Wisconsin Region:

Wheaton Franciscan Healthcare-Terrace at St. Francis, Inc.
Wheaton Franciscan Home Health and Hospice, Inc.
Wheaton Franciscan Healthcare-Pharmacy Enterprises and Franciscan Woods, Inc.
Wheaton Franciscan Holdings, Inc.

Marianjoy Region:

Marianjoy, Inc.
Rehabilitation Medicine Clinic, Inc.

Iowa Region:

Sartori Memorial Hospital, Inc.
Mercy Hospital of Franciscan Sisters, Inc.

Franciscan Ministries, Inc.

(3) Summary of Significant Accounting Policies

- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- The consolidated statements of operations include revenues and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as nonoperating gains and losses.
- Net patient service revenues are 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 are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase, excluding amounts

WHEATON FRANCISCAN SERVICES, INC.

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(In thousands)

presented as assets whose use is limited and restricted assets. Short-term investments are comprised of highly liquid debt instruments with maturity greater than three months and less than 12 months at the time of purchase.

- Inventories of supplies are stated at the lower of cost (first-in, first-out) or market.
- Investments are measured at fair value in the accompanying consolidated balance sheets. Fair value is determined primarily on the basis of quoted market prices or observable market inputs. All investments are classified as trading securities. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on trading securities, interest, and dividends) is included in revenues and gains in excess of expenses and losses unless the income or loss is restricted by donors, in which case the investment return is recorded directly to temporarily or permanently restricted net assets. Unrealized gains and losses on investments designated as other-than-trading securities are excluded from income from operations.
- Assets whose use is limited include assets set aside by the boards of directors for specific purposes, OSF Services, Inc., and deferred compensation plans, over which the boards retain control and may at their discretion subsequently use for other purposes; assets held under escrow agreements; assets held by trustees under bond indenture agreements; assets posted as collateral for swap agreements; assets held through interests in foundations; assets held by a captive insurance company; and assets held by Franciscan Ministries, Inc. (FMI). Assets whose use is limited, which are required for obligations classified as current liabilities, are reported as current assets in the accompanying consolidated balance sheets.
- Property, plant, and equipment acquisitions are recorded at cost. Property, plant, and equipment donated for operations are recorded as additions to temporarily restricted net assets at fair value at the date of receipt and as net assets released from restriction when the assets are placed in service. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets.
- Deferred finance charges are included in deferred expenses and are amortized over the life of the respective debt or underlying liquidity facility, whichever is shorter, using either the straight-line or the weighted average bonds outstanding method. Bond discounts and premiums are amortized over the life of the respective debt using the straight-line or the weighted average bonds outstanding method. Amortization of deferred finance charges and bond discounts and premiums are reflected as a component of interest expense in the accompanying consolidated statements of operations.
- Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income within nonoperating gains (losses) in the period that includes the enactment date. WFSI recognizes the effect of income tax positions only if those

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positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

At June 30, 2013 and 2012, WFSI had net operating loss (NOL) carryforwards for financial reporting and federal and state income tax purposes aggregating approximately \$228 and \$501, respectively, for federal and \$491 and \$716, respectively, for state. Using a federal tax rate of 34.0% and state tax rate of 7.9%, these NOL carryforwards give rise to deferred tax assets before valuation allowance of \$116 and \$227 at June 30, 2013 and 2012, respectively. The valuation allowance for deferred tax assets was \$116 and \$227 at June 30, 2013 and 2012, respectively. The NOL carryforwards have expiration dates through 2029. Management evaluates the need to maintain a valuation allowance for deferred tax assets based on the assessment of whether it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. Appropriate consideration is given to all available evidence, both positive and negative, in assessing the need for a valuation allowance. Amounts released from the valuation allowance are included in other, net in nonoperating gains (losses) in the consolidated statements of operations. The quantitative and qualitative analysis of current and expected earnings, tax-planning strategies, and general business risks resulted in a more likely than not conclusion of being able to realize a significant portion of the deferred tax assets during 2012.

On January 1, 2012, WF-Holdings, Inc. completed a technical transfer of its 50% interest in Midwest Orthopedic Specialty Hospital, LLC. (MOSH) to WFH-Southeast Wisconsin, Inc. Federal and state income tax expense was \$21,438 in 2012 reported in other, net nonoperating gains (losses) in the consolidated statements of operations; however, \$13,408 was offset by the utilization of NOL carryforwards in 2012.

No other temporary differences have been considered based on materiality to the consolidated financial statements.

- Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is to be reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable. In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, *Testing Goodwill for Impairment*, which provides an entity the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. WFSI adopted this guidance in 2013.

If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying value including goodwill. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment

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(In thousands)

loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

WFSI performed its annual goodwill impairment test as of June 30, 2013 and did not identify any impairment issues. The fair value of the reporting unit is in excess of its carrying value. Goodwill totaling \$5,136 at June 30, 2013 and 2012 is reported in the accompanying consolidated balance sheets within other long-term assets.

WFSI has net amortizable intangible assets of \$10,110 and \$5,818 at June 30, 2013 and 2012, respectively, included in other long-term assets on the consolidated balance sheets, which are being amortized from 2 to 10 years. WFSI recorded amortization expense of \$1,019 and \$1,113 for 2013 and 2012, respectively.

- Long-lived assets (including property, plant, and equipment, goodwill, and other intangibles) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which WFSI operates, or if the expected future cash flows generated by the long-lived asset (undiscounted and without interest) are less than the carrying amount of the long-lived asset. An impairment loss is recognized in the period an impairment determination is made to the extent the impaired long-lived asset's carrying value exceeds its fair value.
- Amounts reported as loss on sale of business assets represent the loss by WFSI of its interest in various healthcare-related assets and joint ventures.
- Changes in unrestricted net assets, which are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains and losses on investments on other-than-trading securities, permanent transfers of assets to and from unconsolidated subsidiaries and affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), changes in the funded status of the defined-benefit pension plan, and equity transactions of unconsolidated affiliates.
- Certain subsidiaries of WFSI provide care to patients who meet criteria under the community care program (charity care) without charge or at amounts less than their established rates. Because there is no effort to pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.
- WFSI accounts for discontinued operations under Accounting Standard Codification guidance surrounding accounting for the impairment or disposal of long-lived assets. The guidance requires that a component entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component entity has been disposed of or is classified as

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held-for-sale, the results of operations for current and prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations.

- Temporarily restricted net assets represent those net assets whose use by WFSI and its subsidiaries has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by WFSI and its subsidiaries in perpetuity. WFSI and its subsidiaries' temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care. WFSI and its subsidiaries' investment income from permanently restricted net assets is expendable to support healthcare or other donor-designated services.
- Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Conditional promises to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as other revenue in the accompanying consolidated statements of operations.
- Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted support and are excluded from the revenues and gains in excess of expenses and losses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- Provisions for self-insured liability claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported as of the respective consolidated balance sheet dates.
- ASC No. 815, *Derivatives and Hedging*, requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative and the resulting designation. WFSI is involved in various interest rate swap programs. These derivatives are not designated as hedge instruments, and therefore, changes in their fair value are recognized in the consolidated statements of operations as nonoperating gains or losses in the period of change. WFSI is exposed to credit loss in the event of nonperformance by the counterparty in any of its interest rate swap agreements.

WFSI also maintains interest rate swap agreements, which were originally intended to effectively change the interest rate exposure on Series 1998B Bonds and the St. Francis Series 1997 Bonds, prior to redemption of debt (note 11). Notional amounts on these interest rate swap agreements are being reduced over the original term of the debt agreements to correspond with the originally

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scheduled reductions in principal of the related bonds. A summary of the outstanding positions under these swaps at June 30, 2013 is as follows:

	Notional amount	Maturity date	Rate received	Rate paid
\$	6,300	January 2015	SIFMA Index	4.83%
	28,000	August 2024	Lesser of SIFMA Index or 72% of LIBOR	4.36

The carrying value equals fair value. As of June 30, 2013 and 2012, the fair value of all outstanding swap agreements was a liability of \$4,987 and \$7,024, respectively, which is included as a component of other long-term liabilities. For the years ended June 30, 2013 and 2012, WFSI recognized valuation adjustments of \$2,037 and (\$1,294), respectively, for the change in fair value of all swap agreements. Net payments equal to differentials received or paid under all swap agreements are recognized monthly and amounted to \$1,555 and \$1,694 in 2013 and 2012, respectively, which have been included as interest expense in the accompanying consolidated statements of operations.

Pursuant to certain terms of its interest rate swap agreements, WFSI was required to post collateral with its counterparty for the full settlement amount of the derivative liabilities related to the floating-to-fixed swaps. As of June 30, 2013 and 2012, WFSI posted \$5,548 and \$7,658, respectively, of collateral related to these swaps, which are included within the current portion of assets whose use is limited.

- FMI has entered into various regulatory agreements with the U.S. Department of Housing and Urban Development (HUD) that provide both Housing Assistance Payments and Rental Assistance Payments. These subsidy payments are designed to provide for the difference between the cash needs of the housing project and the cash generated by the tenants' rental payments. Tenant leases are generally one year in duration and expire at various times during the year. The HUD subsidies are adjusted at the beginning of the lease to reflect any changes to the tenant's rent payment established during the annual recertification process.
- WFSI applies the provisions of ASC No. 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC No. 820 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 at the measurement date. ASC No. 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 8).
- WFSI applies the provisions of ASC No. 825-10, *Financial Instruments – Overall*, which gives WFSI the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. WFSI has not elected any additional eligible financial assets or financial liabilities to be reported at fair value.

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(In thousands)

- In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. ASU No. 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability, which is consistent with the guidance in ASC 210-20, *Balance Sheet – Offsetting*. The provisions of ASU No. 2010-24 were adopted for the year ended June 30, 2013.
- ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 required that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. The ASU also required disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.
- The Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs (the Programs) provide incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. The Programs define meaningful use as meeting certain core and menu criteria at certain levels dependent upon the program, the stage of meaningful use, and whether the participant is a hospital or provider professional. WFSI accounts for the Programs using International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosures of Government Assistance*. WFSI applies the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire EHR reporting period once the "reasonable assurance" income recognition threshold of IAS 20 is met. For the years ended June 30, 2013 and 2012, WFSI recognized \$21,158 and \$7,536, respectively, as other revenue related to the Medicare and Medicaid EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for stage 1 meaningful use attestation.

(4) Net Patient Service Revenues

WFSI's hospitals and other patient care facilities have agreements with third-party payors that provide for payments at amounts different from established rates. A summary of the payment arrangements with major third-party payors is as follows:

- **Medicare** – Inpatient acute care services, certain outpatient, rehabilitation, and home health services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to their respective patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The classification of patients under the Medicare prospective payment systems and the appropriateness of patients' admissions are subject to validation reviews. Certain outpatient services and medical education costs related to Medicare beneficiaries are paid based upon either a cost-reimbursement method, established fee screens, or a combination thereof. WFSI is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of

WHEATON FRANCISCAN SERVICES, INC.

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(In thousands)

annual reimbursement reports and audits thereof by Medicare fiscal intermediaries. WFSI has received final settlements through FY 2009.

- **Medicaid** – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed in accordance with each state's Medicaid reimbursement program. Reimbursement under these programs is based primarily upon prospectively determined rates

The states of Illinois, Wisconsin, and Iowa have hospital assessment programs to assist in the financing of their Medicaid programs. Pursuant to these programs, hospitals within the states of Illinois, Wisconsin, and Iowa are required to remit payment to the respective state under a tax assessment formula. WFSI has included its related assessments of \$38,932 and \$38,535 as purchased services, supplies, and other expense in the accompanying 2013 and 2012 consolidated statements of operations, respectively. The additional Medicaid reimbursement associated with these programs is approximately \$109,383 and \$105,397 for 2013 and 2012, respectively, and is included in net patient service revenue.

The aforementioned assessment programs increase the amount of federal matching for the respective Medicaid programs, which is then passed on to hospitals as increased Medicaid reimbursement. Wisconsin's assessment program prohibits the use of assessment revenue to supplant current revenue used to support existing hospital payment levels. The State distributes the assessment revenue as increased rates for both Medicaid and Medicaid HMO patients.

- **Other** – WFSI's hospitals and other patient care facilities have also entered into reimbursement agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Net patient service revenue for the years ended June 30, 2013 and 2012 includes approximately \$14,329 and \$5,699, respectively, of net favorable retroactively determined reimbursement settlements from prior years with third-party payors. In addition, net patient service revenues for the year ended June 30, 2012 includes approximately \$9,117 due to a settlement from Medicare for fiscal years 2007-2011 related to the Rural Floor Budget Neutrality Adjustment Appeal, which was ruled on in June 2012.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, WFSI analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible 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, WFSI analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with patient responsibility (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 patients are screened against the WFSI charity care policy and uninsured discount policy. For any remaining patient responsibility balance, WFSI records a provision for bad debts in the period of service on

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(In thousands)

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 if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

WFSI's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles for which managed care has already paid, decreased from 91.0% of self-pay accounts receivable at June 30, 2012, to 83.2% of self-pay accounts receivable at June 30, 2013. In addition, WFSI's self-pay write-offs decreased from \$82,753 for fiscal year 2012 to \$79,861 for fiscal year 2013 due to favorable trends. WFSI has not changed its charity care or uninsured discount policies during fiscal years 2013 or 2012. WFSI does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

WFSI 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, WFSI recognizes revenue for services provided (on the basis of discounted rates, as provided by policy). On the basis of historical experience, a portion of WFSI's uninsured patients will be unable or unwilling to pay for the services provided. Thus, WFSI records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2013	2012
Medicare	\$ 568,268	551,871
Medicaid	243,425	243,574
Managed care/contracted payor	692,160	691,681
Self-pay	105,465	95,647
Other	33,382	39,423
Net patient service revenues	<u>\$ 1,642,700</u>	<u>1,622,196</u>

(5) Concentration of Credit Risk

Patient care subsidiaries of WFSI grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors for 2013 and 2012 is as follows:

	2013	2012
Medicare	28.0%	31.5%
Medicaid	9.0	8.3
Managed care	42.8	40.5
Other	20.2	19.7
	<u>100.0%</u>	<u>100.0%</u>

WHEATON FRANCISCAN SERVICES, INC.

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(In thousands)

(6) Uncompensated and Charity Care

WFSI shares its talents and resources to benefit the many communities it serves. This includes providing education to health professional and community members, research, community health improvement offerings, and subsidized health services, in addition to charity care benefits.

For charity care benefits, patient care subsidiaries of WFSI maintain records to identify and monitor the level of charity care they provide. This represents free or discounted health services provided to those who cannot afford to pay and who meet criteria for financial assistance. Charity care is based on estimated cost and does not include bad debt. The level of charity care provided during the years ended June 30, 2013 and 2012 was \$43,946 and \$37,796, respectively.

(7) Investments

During 1998, WFSI created the Wheaton Franciscan Services, Inc. Investment Trust (the Trust) for the sole purpose of administering a pooled investment program for WFSI, its subsidiaries, and affiliates. WFSI serves as the trustee and is responsible for managing and investing the pooled assets of the Trust. Participants accrue interest based on the Trust's actual realized earnings. The fair value of the assets in the Trust was \$669,623 and \$712,526 at June 30, 2013 and 2012, respectively, and is recorded as a component of assets whose use is limited.

A summary of the composition of the investment portfolio (including assets whose use is limited and restricted assets) at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
At fair value:		
Cash and cash equivalents	\$ 45,998	41,067
U.S. government obligations	364,931	374,811
Corporate debt securities	199,200	221,642
Asset-backed securities	27,524	36,335
Equity securities	150,543	136,718
Mutual funds	32,769	26,609
Total investments at fair value	820,965	837,182
At cost:		
Pledges receivable	823	714
Total investments	<u>\$ 821,788</u>	<u>837,896</u>

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

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Investments are reported in the accompanying June 30, 2013 and 2012 consolidated balance sheets as follows:

	<u>2013</u>	<u>2012</u>
Short-term investments	\$ 11,448	41,353
Assets whose use is limited (current and long-term):		
By boards for specific purposes	597,848	583,916
By boards for deferred compensation plans	33,234	28,173
By boards for Clara Pfaender Fund, Inc.	32,487	32,487
Held by FMI	12,858	11,215
Held by captive insurance company	35,379	40,779
Under escrow agreement	21,078	21,078
Held as collateral for swap agreements	5,548	7,658
Under indenture agreements by trustee	52,620	54,498
Restricted assets	<u>19,288</u>	<u>16,739</u>
Total investments	\$ <u>821,788</u>	<u>837,896</u>

The composition of investment return on the investment portfolio for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 24,665	25,416
Net realized gains on sale of investments	8,006	7,598
Change in net unrealized gains and losses	<u>(5,674)</u>	<u>(10,760)</u>
	\$ <u>26,997</u>	<u>22,254</u>

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Other operating revenue	\$ 129	4,217
Investment return	26,242	17,517
Temporarily restricted net assets – investment income	425	486
Permanently restricted net assets – investment income	<u>201</u>	<u>34</u>
	\$ <u>26,997</u>	<u>22,254</u>

During 2005, WFSI began participating in a securities lending program. Through this securities lending program, managed by its investment custodian, WFSI loans fixed income and equity securities included in its investment portfolio. In June 2013, WFSI exited the security lending program. At June 30, 2012, the fair value of the securities loaned was \$4,380. The custodian's loan agreements require the borrowers to

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

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(In thousands)

maintain collateral equal to at least 102% of the market value of the securities loaned. This collateral is in the form of cash and cash equivalents and fixed income securities and is revalued on a daily basis. At June 30, 2012, WFSI has presented the collateral received as securities lending collateral within current assets and the obligation to return that collateral as a current liability as payable under securities lending agreement in the accompanying consolidated balance sheets.

(8) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by WFSI in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Assets whose use is limited, short-term investments, securities lending collateral, and restricted assets: equity securities, mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, and U.S. agency securities are measured using other observable inputs. Corporate debt securities, U.S. governmental agency securities, and asset-backed securities are measured using other observable inputs. The carrying value equals fair value. ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which creates a practical expedient allowing measurement of fair value based on the net asset value per share of the investment. Mutual funds are valued using net asset value per share as a practical expedient.
- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and WFSI. The carrying value equals fair value.
- The fair value of the fixed-rate long-term debt of WFSI and its subsidiaries was \$618,142 and \$629,727 at June 30, 2013 and 2012, respectively. The recorded amount of these obligations at June 30, 2013 and 2012 was \$594,050 and \$603,105, respectively. Fair value of fixed-rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to WFSI for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon WFSI's current borrowing rating for rates for similar types of long-term debt securities.

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(In thousands)

(b) Fair Value Hierarchy

WFSI applies the provision of ASC No. 820, which 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 mutual participants at a measurement date. These provisions describe a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that WFSI has the ability to access at the measurement date.
- Level 2 are 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 for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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(In thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2013:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 25,660	25,660	—	—
Short-term investments				
Cash and cash equivalents	14	14	—	—
U S government obligations	3,507	—	3,507	—
Corporate debt securities	7,927	—	7,927	—
Assets whose use is limited and restricted assets, excluding \$823 of pledges receivable				
Cash and cash equivalents	45,984	45,984	—	—
Mutual funds	32,769	32,769	—	—
U S government obligations	361,424	256,662	104,762	—
Corporate debt securities	191,273	—	191,273	—
Asset-backed securities	27,524	4,443	23,081	—
Equity securities	150,543	150,543	—	—
Total assets	<u>\$ 846,625</u>	<u>516,075</u>	<u>330,550</u>	<u>—</u>
Liabilities				
Interest rate swap agreement	\$ 4,987	—	4,987	—

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2012:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Assets				
Cash and cash equivalents	\$ 59,870	59,870	—	—
Short-term investments				
Cash and cash equivalents	614	614	—	—
U S government obligations	13,737	—	13,737	—
Corporate debt securities	27,002	—	27,002	—
Securities lending collateral				
Cash and cash equivalents	4,514	4,514	—	—
Assets whose use is limited and restricted assets, excluding \$714 of pledges receivable				
Cash and cash equivalents	40,453	40,453	—	—
Mutual funds	26,609	26,609	—	—
U S government obligations	361,074	261,162	99,912	—
Corporate debt securities	194,640	—	194,640	—
Asset-backed securities	36,335	3,106	33,229	—
Equity securities	136,718	136,718	—	—
Total assets	\$ 901,566	533,046	368,520	—
Liabilities				
Interest rate swap agreement	\$ 7,024	—	7,024	—

Transfers between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. WFSI evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2013, there were no significant transfers in or out of Levels 1, 2, or 3.

WHEATON FRANCISCAN SERVICES, INC.

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(In thousands)

(9) Asset Divestitures

Effective January 1995, WFSI and Ministry Health Care (MHC) entered into an integration agreement. This agreement was amended and restated effective October 1, 1997 creating a fully integrated economic system called Affinity. Pursuant to this agreement, WFSI and MHC continued to own and sponsor their respective operating entities within Affinity and participate in the sharing of income (loss) of all Affinity organizations. WFSI has consolidated St. Elizabeth's Hospital, its sponsored organization, in the consolidated financial statements and has reflected its share of the unconsolidated Affinity organizations, except the MHC sponsored organizations, under the equity method of accounting. In June 2011, the board of directors of WFSI approved a plan to sell all of the assets and liabilities of St. Elizabeth's Hospital, which, pursuant to the integration agreement, includes a 50% interest in Affinity. In February 2012, the sale was completed and WFSI received cash proceeds of \$167,565 from the sale and the repayment of intercompany debt and recognized a loss on sale of \$2,318.

The operations of Affinity and St. Elizabeth's Hospital have been presented in the accompanying consolidated statements of operations within discontinued operations. Further, all net cash flows related to the operating, investing, and financing activities of Affinity and St. Elizabeth's Hospital are reported separately as discontinued operations in the accompanying consolidated statements of cash flows. The sale transaction closed on February 8, 2012.

A summary of the operating components of discontinued operations as of and for the years ended June 30, 2012 is as follows:

Discontinued operations:

Total revenues and gains	\$	98,055
Expenses:		
Salaries and fringe benefits		44,773
Purchased services, supplies, and other		35,742
Provision for bad debts		2,506
Interest		2,448
Depreciation and amortization		5,865
Total expenses		<u>91,334</u>
Income from discontinued operations		6,721
Other changes in unrestricted net assets		<u>(2,751)</u>
Change in unrestricted net assets	\$	<u><u>3,970</u></u>

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(In thousands)

(10) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2013 and 2012 is as follows:

	2013	2012
Land and land improvements	\$ 113,969	112,162
Buildings	1,272,944	1,231,210
Building equipment	353,059	334,194
Departmental equipment	610,563	617,105
	<u>2,350,535</u>	<u>2,294,671</u>
Less accumulated depreciation and amortization	<u>1,307,448</u>	<u>1,266,187</u>
	1,043,087	1,028,484
Construction in progress	<u>60,701</u>	<u>57,810</u>
Total property, plant, and equipment, net	<u>\$ 1,103,788</u>	<u>1,086,294</u>

Construction in progress at June 30, 2013 consists of various expansion and renovation projects. As of June 30, 2013, construction commitments are primarily related to St. Francis Hospital and St. Catherine's expansion project (note 15(c)). During the years ended June 30, 2013 and 2012, WFSI capitalized net interest cost in the amount of \$1,553 and \$1,687, respectively.

(11) Long-Term Debt – Bonds

Long-term debt – bonds at June 30, 2013 and 2012 are as follows:

	2013	2012
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 2003A (Series 2003A Bonds) with fixed interest rates ranging from 5.0% to 5.5% and varying debt service payments through August 2033	\$ 99,860	101,925
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Variable Rate Demand Revenue Bonds, Series 2003B (Series 2003B Bonds) with variable interest rate (effective average interest rate of 0.14% and 0.12% for the years ended June 30, 2013 and 2012, respectively) and debt service payments through August 2033	75,000	75,000

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	<u>2013</u>	<u>2012</u>
Wheaton Franciscan Services, Inc. (System Refinancing) – Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2006A (Series 2006A Bonds) with fixed interest rates ranging from 5.00% to 5.25% and varying debt service payments through August 2034	\$ 289,300	294,095
Wheaton Franciscan Services, Inc. (System Refinancing) – Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2006B (Series 2006B Bonds) with fixed interest rates ranging from 4.000% to 5.125% and varying debt service payments through August 2030	204,890	207,085
Wheaton Franciscan Services, Inc. (System Financing) – Wisconsin Health and Educational Facilities Authority, Variable Rate Demand Revenue Bonds, Series 2007 (Series 2007 Bonds) with variable interest rates (effective average interest rate of 0.14% and 0.12% for the years ended June 30, 2013 and 2012, respectively) and varying debt service payments through August 2036	<u>64,180</u>	<u>64,380</u>
	733,230	742,485
Unamortized net bond issue premiums	<u>17,639</u>	<u>19,041</u>
Total long-term debt	750,869	761,526
Less:		
Current installments of long-term debt	11,760	9,255
Long-term debt subject to short-term remarketing agreements	<u>39,978</u>	<u>40,038</u>
Long-term debt, excluding current installments and net unamortized bond issue premiums	\$ <u><u>699,131</u></u>	<u><u>712,233</u></u>

All of the outstanding long-term bond indebtedness has been issued pursuant to the MTI, and is comprised of unsecured obligations of The Obligated Group. Each member of The Obligated Group has jointly and severally guaranteed the payment of any and all amounts due on the outstanding indebtedness issued under the MTI.

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(In thousands)

The following is a summary of the bond insurer and liquidity facility for the outstanding long-term debt:

Outstanding debt series	Liquidity facility
Series 2003B Bonds*	Letter of Credit – U.S. Bank National Association, expiring in December 2016
Series 2007 Bonds*	Letter of Credit – PNC Bank, expiring in December 2016

* Bear interest at a variable rate, which is currently determined weekly

In the event that the letters of credit are not renewed, mandatory redemption provisions become applicable, which require the then outstanding indebtedness to be paid in full or within an 18-month period.

On November 1, 2011, WFSI redeemed at par \$5,300, \$10,300, and \$8,200 of the then outstanding principal balance on the Series 1998A Bank Bonds, Series 1998B Bank Bonds, and Series 1997 Bank Bonds, respectively. The unamortized deferred financing costs and bond discount related to the Series 1993 Revenue Bonds were written off at the time of retirement and are reported as loss on early extinguishment of debt in the amount of \$123 in the accompanying 2012 consolidated statement of operations.

The Series 2003B and Series 2007 bonds are secured by letters of credit with U.S. Bank National Association and PNC Bank (collectively, the Commercial Banks), respectively. These bonds have put options that allow the holders to redeem the bonds prior to maturity. The Obligated Group has agreements with remarketing agents to remarket any bonds redeemed as a result of the exercise of the put options. If the bonds cannot be remarketed, the Commercial Banks will purchase the bonds under the letters of credit. Any liquidity advances as a result of failed remarketing are repayable to US Bank National Association and PNC Bank within 367 and 60 days, respectively, unless converted to term loans by meeting certain criteria as defined in the letter-of-credit agreements (the Agreements). Any term loans must be repaid in full by the earlier of the letter-of-credit expiration date or the date of certain other events as defined in the Agreements. The repayment terms per the Agreements for the Series 2003B and Series 2007 bonds require repayment within 24 and 18 months, respectively.

Subsequent to year end, on July 16, 2013, the Obligated Group issued \$87,300 of Wisconsin Health and Educational Facilities Authority Wheaton Franciscan Services, Inc. System Revenue Bonds, Series 2013A due in varying installments through August 15, 2023 and bearing fixed interest of 2.0%. The proceeds were used for the redemption of the Wisconsin Health and Educational Facilities Authority Wheaton Franciscan Services, Inc. System Revenue Bonds, Series 2003A.

Subsequent to year end, on August 15, 2013, WFSI redeemed all of the outstanding Series 2003A Revenue Bonds \$97,695. As part of this redemption, WFSI incurred a loss of \$622.

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(In thousands)

The principal repayment schedules shown below does not include the redemption of the 2003A debt or the issuance of the 2013A debt.

The first chart represents future principal repayments on long-term debt assuming the Series 2003B and Series 2007 variable rate demand bonds failed to be remarketed and were subsequently purchased by the letter-of-credit banks on June 30, 2013 with principal repayments accelerated in accordance with the terms of the letter-of-credit agreements. The second chart represents principal repayments based on the current status under the terms of the Standby Bond Purchase Agreements for the Bank Bonds, and all other long-term debt – bonds based on scheduled maturities or repayments as specified in the related long-term debt agreements.

Chart I

Year ending June 30:	
2014	\$ 51,738
2015	73,642
2016	50,080
2017	16,335
2018	15,995
Thereafter	525,440
	<u>\$ 733,230</u>

Chart II

Year ending June 30:	
2014	\$ 11,760
2015	12,340
2016	16,380
2017	16,850
2018	17,705
Thereafter	658,195
	<u>\$ 733,230</u>

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(In thousands)

(12) Long-Term Debt – Mortgages

Long-term debt – mortgages held by FMI at June 30, 2013 and 2012 are as follows:

<u>Housing project</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Security</u>	<u>2013</u>	<u>2012</u>
Assist homes					
Batavia Apartments, Inc	6.75%	November 1, 2041	HUD	\$ —	9,873
Batavia Apartments, Inc	7.00	August 1, 2012	HUD	—	59
Batavia Apartments, Inc	2.65	November 1, 2047	GMAC	12,432	—
Colony Park, Inc	7.49	July 1, 2018	IHDA	1,259	1,480
Constitution House, Inc	7.81	July 1, 2016	IHDA	743	1,003
Jefferson Court, Inc	6.21	March 1, 2038	HUD	6,994	7,111
Saxony, Inc	5.54	June 1, 2035	Citigroup	6,564	6,721
Clare Gardens, Inc	5.25	July 1, 2038	HUD	2,699	2,750
Francis Heights, Inc Capmark A	6.50	February 28, 2014	HUD	174	420
Francis Heights, Inc Flex	1.00	No fixed maturity date	HUD	1,902	1,902
Francis Heights, Inc Capmark B	6.50	February 28, 2038	HUD	93	95
Francis Heights, Inc 2nd Mgt	4.00	January 31, 2038	HUD	506	861
Marian Housing Center, Inc	5.50	June 1, 2040	HUD	1,404	1,426
Marian Park, Inc	7.00	January 1, 2014	FHA	1,943	2,213
Starved Rock – LaSalle Manor Limited Partnership (SR)	3.00	July 1, 2020	GMAC	423	400
SR	6.50	April 1, 2037	GMAC	464	471
Villa St. Clare, Inc	4.00	April 1, 2027	WHEDA	1,196	1,249
Other mortgages	6.13% – 7.68%			176	176
Total long-term debt – mortgages				38,972	38,210
Less current installments of mortgages				8,234	1,912
Long-term debt – mortgages, excluding current installments				<u>\$ 30,738</u>	<u>36,298</u>

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(In thousands)

As of June 30, 2013, scheduled annual maturities of long-term debt – mortgages for the next five years and thereafter are as follows:

Year ending June 30:		
2014	\$	8,234
2015		1,037
2016		990
2017		840
2018		808
Thereafter		27,063
	\$	<u>38,972</u>

(13) Pension Plans

WFSI and certain of its subsidiaries participate in a qualified noncontributory defined-benefit pension plan (the Plan), covering all employees who are at least 21 years of age and work 1,000 or more hours per year. The normal retirement benefit of the Plan is a monthly retirement income, a lump-sum payment, or a combination thereof which is computed based on a cash balance accumulated from contributions and interest earnings thereon equal to the one-year Treasury bill rate or a rate approved by the WFSI Finance and Operations Committee. The benefit is payable commencing any time after the vested employee's termination date but not later than age 65 unless still working. The Plan is funded based on the estimated pension cost as determined by the Plan's consulting actuary.

The cost related to employee service is recognized using the Projected Unit Credit Cost Method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, are amortized over the expected future service period. The prior service credits are also amortized over the expected future service period.

Prior to January 1, 1995, the Plan had a traditional annuity benefit formula. Participants who were covered under the prior plan are grandfathered and entitled to a retirement benefit equal to the greater of their benefit as defined by the Plan or their benefit as defined by the prior plan.

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(In thousands)

The following table sets forth information on the funded status, amounts recognized in the consolidated financial statements, and weighted average assumptions related to WFSI's Plan for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 877,828	730,259
Service cost	34,263	29,395
Interest cost	38,887	42,327
Benefits paid	(39,237)	(35,526)
Actuarial loss	(28,552)	111,373
Curtailment	(339)	—
Plan amendment	(28,625)	—
Benefit obligation of end of year	<u>854,225</u>	<u>877,828</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	579,630	565,999
Actual return on plan assets	77,120	(2,343)
Employer contributions	100,000	51,500
Benefits paid	(39,237)	(35,526)
Fair value of plan assets at end of year	<u>717,513</u>	<u>579,630</u>
Funded status	\$ <u>(136,712)</u>	<u>(298,198)</u>
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued pension liability	\$ (136,712)	(298,198)
Accumulated charge to unrestricted net assets	<u>194,964</u>	<u>298,672</u>
Net amounts recognized in the accompanying consolidated balance sheets	\$ <u>58,252</u>	<u>474</u>

The accumulated charge to unrestricted net assets represents charges or credits arising from the defined-benefit pension plan, but not yet recognized as components of net periodic benefit cost. The accumulated charge to unrestricted net assets at June 30, 2013 and 2012 of \$194,964 and \$298,672, respectively, comprised \$263,525 and \$352,275 of unrecognized net actuarial losses offset by a reduction for unrecognized prior service credits of \$68,561 and \$53,603 at June 30, 2013 and 2012, respectively.

The accumulated benefit obligation for the Plan was \$813,839 and \$831,328 at June 30, 2013 and 2012, respectively.

Several organizations participate in the Plan but are not included in the accompanying consolidated financial statements. Therefore, the amounts recognized by the participants are shown in the above table, but are not included in the consolidated financial statements. The net periodic pension cost for the years

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ended June 30, 2013 and 2012 related to unconsolidated subsidiaries and affiliates amounted to \$2,448 and 2,304, respectively.

Net periodic benefit cost for the Plan for the years ended June 30, 2013 and 2012 included the following components:

	<u>2013</u>	<u>2012</u>
Components of net periodic benefit cost:		
Service cost	\$ 34,263	29,395
Interest cost	38,887	42,328
Expected return on plan assets	(47,001)	(43,856)
Curtailment impact	(3,927)	—
Net amortization amounts	<u>20,001</u>	<u>6,145</u>
Net periodic benefit cost	<u>\$ 42,223</u>	<u>34,012</u>
Weighted average assumptions:		
Discount rate used to determine obligation	3.75%/7.75%	5.26%/8.00%
Discount rate used to determine net periodic benefit cost	3.75%/7.75%	5.26%/8.00%
Rate of compensation increase	Age-based	Age-based
Expected return on plan assets	7.00%	7.75%
Cash balance interest rate assumption	3.1%	3.1%

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation at June 30, 2013 and 2012 is 8.00%, for grandfathered participants estimated to take their retirement benefit in the form of a lump sum and 4.37% and 3.75% at June 30, 2013 and 2012, respectively, for all other participants.

Effective for terminations on or after July 1, 2013, the actuarial equivalence interest rate used for converting account balances to annuity form was updated from 8% to 4% effective July 1, 2013 and 2% effective July 1, 2014. The plan amendment resulted in a decrease to the projected benefit obligation of \$28,625.

Effective July 1st, 2013, Rush Oak Park Hospital (ROPH) will no longer participate in the pension plan. This curtailment to the plan reduced the projected benefit obligation by \$1,015. In addition, the plan was amended to credit ROPH participants with a full year of benefit accrual for calendar year 2013 based on pay and hours through July 1, 2013. This special termination benefit increased the projected benefit obligation by \$676.

The Plan's overall expected long-term rate of return on assets is 7.00% and 7.75% for 2013 and 2012, respectively. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

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(In thousands)

WFSI is expected to contribute \$50,000 to the Plan in 2014 of which approximately \$29,135 is the expense of the Plan.

The benefits expected to be paid in each year from 2014 through 2017 are approximately \$42,952, \$51,013, \$52,345, and \$54,900, respectively. The aggregate benefits expected to be paid in the five years from 2018 through 2022 are approximately \$354,065. The expected benefits are based on the same assumptions used to measure WFSI's benefit obligation at June 30 and include estimated future employee service.

The Plan has a statement of Investment Policy, which is reviewed and approved by the WFSI board of directors. The policy establishes goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications as well as specific investment manager guidelines. The policy states that the rebalancing of these assets to the target allocations will be reviewed on a semiannual basis. Investments are managed by independent advisors. Management monitors the performance of these managers on a monthly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2013 and 2012:

Asset	2013			2012		
	Target allocation	Acceptable range	Actual allocation	Target allocation	Acceptable range	Actual allocation
Equity – large cap growth	5%	0% – 10%	5%	5%	0% – 10%	8%
Equity – large cap value	20	15% – 25%	20	20	15% – 25%	19
Equity – mid cap	10	5% – 15%	10	10	5% – 15%	10
Equity – small cap	10	5% – 15%	10	10	5% – 15%	10
Equity international	15	10% – 20%	13	15	10% – 20%	14
Fixed income and cash	40	30% – 50%	42	40	30% – 50%	39

Fair Value of Financial Instruments

The following methods and assumptions were used by WFSI in estimating the fair value of its financial instruments of the Plan:

- Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, and U.S. agency securities are measured using other observable inputs. The carrying value equals fair value.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

Fair Value Hierarchy

The following tables present the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and 2012:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total, June 30, 2013			
Investments				
Cash and cash equivalents	\$ 49,194	49,194	—	—
U S government obligations	152,987	94,967	58,020	—
Corporate debt securities	106,922	—	106,922	—
Asset-backed securities	10,863	—	10,863	—
Equity securities	397,547	397,547	—	—
Total	\$ 717,513	541,708	175,805	—

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total, June 30, 2012			
Investments				
Cash and cash equivalents	\$ 27,513	27,513	—	—
U S government obligations	96,925	45,154	51,771	—
Corporate debt securities	101,712	—	101,712	—
Asset-backed securities	13,702	—	13,702	—
Equity securities	341,516	341,516	—	—
Total *	\$ 581,368	414,183	167,185	—

Transfers between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. WFSI evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer

WHEATON FRANCISCAN SERVICES, INC.

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(In thousands)

relative to total assets. For the year ended June 30, 2013, there were no significant transfers in or out of Levels 1, 2, or 3.

* Total excludes \$1,738 of unsettled payables to custodian of pension plan assets as of June 30, 2012.

During 1996, WFSI created a nonqualified Benefit Restoration Plan (the BRP) for senior executives employed in the organization whose benefits under the qualified plan are limited due to limitations imposed by income tax regulations. In 2001, the Plan was amended to cover certain benefits previously provided under the BRP. In 2008, the BRP was amended to vest the accrued benefits as of December 29, 2008. The payout started in January 2009 with future accrued benefits being paid out annually. Accounts payable to BRP participants of \$750 and \$200 at June 30, 2013 and 2012, respectively, are included in other long-term liabilities.

(14) Insurance

Professional and General Liability

Wheaton Franciscan Insurance Company (the Captive), a wholly owned subsidiary of WFSI, was formed to provide comprehensive professional and general liability insurance to the organization. Professional liability coverage for WFSI qualified subsidiaries located in Wisconsin is procured through Preferred Professional Insurance Company (PPIC), which reinsures all of the risk with the Captive. All other WFSI subsidiaries are insured directly by the Captive for professional and general liability risks.

For primary professional liability coverage for Wisconsin-based providers, WFSI pays premiums to PPIC based upon actuarial computations that estimate the expected ultimate losses by policy year. PPIC then pays the premium, net of PPIC's administrative expenses, to the Captive pursuant to a reinsurance agreement. All primary professional liability insurance coverage provided through PPIC is on an occurrence basis.

Losses in excess of the primary professional liability limits for the Wisconsin-based providers are fully covered through the hospitals' and employed physicians' mandatory participation in the Patients' Compensation Fund of the State of Wisconsin. For other regions, the Captive obtains varying levels of commercial umbrella and excess reinsurance coverage by policy year on a claims-made basis.

WFSI recognizes provisions for the ultimate cost of reported losses and for losses incurred but not reported based upon projections by WFSI management and independent actuaries. At June 30, 2013 and 2012, loss reserve accruals of \$24,688 and \$25,703, respectively, are included in the accompanying consolidated financial statements in other long-term liabilities. It is management's opinion that the recorded claim reserves are adequate to cover ultimate losses incurred to date. Provisions for professional and general liability self-insurance expense amounted to \$3,463 and \$1,708 for the years ended June 30, 2013 and 2012, respectively, and are included in purchased services, supplies, and other expenses in the accompanying consolidated statements of operations. As related to the professional and general liability, the adoption of ASU 2010-24 for the year ended June 30, 2012 had no impact on the consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

Workers' Compensation and Employee Benefits

WFSI is self-insured for workers' compensation claims up to the first \$250. WFSI purchases workers' compensation umbrella and excess policies to provide various levels of additional coverage by policy year. Workers' compensation self-insurance expense amounted to \$5,995 and \$6,238 for the years ended June 30, 2013 and 2012, respectively, and is included in salaries and fringe benefits expense in the accompanying consolidated statements of operations. The gross liability for estimated self-insured workers' compensation claims of \$10,426 and \$11,241 at June 30, 2013 and 2012, respectively, is included within accounts payable and accrued expenses in the accompanying consolidated balance sheets.

WFSI adopted the provisions of ASU 2010-24 for the year ended June 30, 2012. The estimated workers' compensation insurance recoveries was \$1,318 and \$1,045, and is included as a component of prepaid expenses and other, respectively, as of June 30, 2013 and 2012, respectively.

All claims, premiums, and administrative expenses related to benefits are processed, recorded, and paid directly through WFSI, with the exception of commercially insured HMO's in Illinois and Colorado, life insurance for all associates and long-term disability coverage for executives and physicians. Long-term disability coverage, which became commercially insured effective January 1, 2010.

WFSI internally estimates the claims incurred but unreported as of the consolidated balance sheet dates for healthcare and other employee benefits. Accrued healthcare and other benefits claims of approximately \$17,746 and \$19,239 at June 30, 2013 and 2012, respectively, consist of the estimated ultimate cost of reported claims and claims incurred but not reported as of the consolidated balance sheet dates and are included within accounts payable and accrued expenses. Provisions for self-insured employee healthcare and other employee benefit claims amounted to approximately \$97,330 and \$96,982 for the years ended June 30, 2013 and 2012, respectively, and are included with salaries and fringe benefits expense in the accompanying consolidated statements of operations. There was no impact to the consolidated financial statements for the adoption of ASU 2010-24 with respect to self-insured employee healthcare.

(15) Integration Agreements and Investments in Unconsolidated Affiliates

WFSI and certain subsidiaries also have investments in organizations that are not majority owned or controlled by WFSI organizations. WFSI and its subsidiaries account for their investments in these organizations using the equity method of accounting. The equity method of accounting is discontinued when the equity investment is reduced to zero unless WFSI or its subsidiaries has guaranteed the obligations of the organization or is committed to provide additional capital support.

(a) Felician Services, Inc.

In 2008, WFSI and Southeast Wisconsin Region entered into a Restated Integration Agreement with Felician Services, Inc. (FSI) to better fulfill both WFSI's and FSI's commitment to the mission of the health ministry of the Roman Catholic Church. The Restated Integration Agreement was retroactively effective July 1, 2006 and gives Southeast Wisconsin Region authority to manage and direct the FSI-sponsored entities at (Wheaton Franciscan Healthcare – St. Francis, Inc. and Wheaton Franciscan Healthcare – Terrace at St. Francis, Inc.). The FSI-sponsored entities are consolidated by

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

WFSI within the accompanying consolidated financial statements given the degree of control and economic interest that WFSI has over the FSI-sponsored entities.

The Restated Integration Agreement provides FSI a put option that can be exercised by giving WFSI written notice. The execution of the put option requires WFSI to pay FSI an acquisition price of \$28,000 for the FSI-sponsored entities, which is accrued and included in other long-term liabilities in the accompanying consolidated balance sheets. The put option has not been exercised as of June 30, 2013.

(b) *United Hospital System, Inc.*

Effective July 6, 1998, St. Catherine's entered into an integration agreement with United Hospital System, Inc. to operate as a single system through the formation of UHS, Inc. (United). The intent of the integration was to facilitate the development and operation of a healthcare system for the Kenosha, Wisconsin regional community and reduce the cost of and duplication of services. The integration agreement provides for the sharing of income or losses on a percentage basis of the consolidated results of operations.

WFSI accounts for its 25% equity investment in United on the equity method of accounting. WFSI has included its proportional share of United net income of \$9,174 and \$8,654 in 2013 and 2012, respectively, as other revenue in the accompanying consolidated statements of operations. WFSI received no cash distributions from United in 2013 or 2012. As of and for the years ended June 30, 2013 and 2012, respectively, United Hospital System, Inc. had total assets of \$343,701 and \$323,781, total net assets of \$259,399 and \$204,818, and revenue of \$287,150 and \$284,048.

Construction in progress at June 30, 2013 relates primarily to costs incurred for St. Catherine's expansion project. At June 30, 2013, St. Catherine's has incurred and capitalized approximately \$98,000 of the costs related to the project. The project is being partially funded by United. As of June 30, 2013 and 2012, a due to United in the amount of \$49,527 and \$63,000, respectively, for repayment of construction advances is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

(c) *Midwest Orthopedic Specialty Hospital, LLC (MOSH)*

MOSH, a joint venture entity, was formed in late 2008 to own and operate an orthopedic specialty hospital located on the second floor of the Wheaton Franciscan Healthcare – Franklin (WFH-Franklin). MOSH was granted its hospital license by the State of Wisconsin and opened for operations effective July 31, 2009. The members of MOSH are WFH-Southeast Wisconsin, Inc. and TS Ortho, LLC, an independent physician-owned entity. Each member has a 50% ownership interest in MOSH.

As of June 30, 2013 and 2012, respectively, MOSH has total assets of \$46,913 and \$45,523, member equity of \$43,673 and \$42,951, and total revenue of \$75,121 and \$69,885. WFH accounts for its 50% interest in MOSH under the equity method of accounting. For the years ended June 30, 2013 and 2012, WFSI has included its proportional share of MOSH's net income of \$18,863 and \$16,406, respectively, as other operating revenue in the accompanying consolidated statements of operations.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

Distributions are payable by MOSH at the discretion of the joint venture's board of managers. WFH received cash distributions of \$18,500 and \$15,000 from the joint venture during 2013 and 2012, respectively.

(16) Commitments and Contingencies

(a) Operating Leases

WFSI and its subsidiaries have entered into various contracts for operating leases of office space, buildings, and equipment. During 2013 and 2012, WFSI and its subsidiaries recognized \$10,747 and \$10,723, respectively, of lease expense under these agreements.

As of June 30, 2013, scheduled annual contractual payments under operating leases for the next five years and thereafter are as follows:

Year ending June 30:	
2014	\$ 7,002
2015	5,483
2016	4,354
2017	3,513
2018	3,065
Thereafter	<u>10,605</u>
	<u>\$ 34,022</u>

(b) Housing Contingencies

FMI entered into multiple Capital Advance Program Mortgage Notes (the Notes) in the amount of \$17,100. The Notes bear no interest and repayment is not required as long as the housing projects remain available to low-income, elderly, or disabled persons in accordance with the National Affordable Housing Act of 1990 and are operated in accordance with the Regulatory Agreements and HUD Regulations. The Notes are secured by the mortgage upon the land, building, and equipment, and other amounts held by FMI. If a default occurs under the terms of the Notes, mortgages, the Regulatory Agreements, or the regulations, the entire principal and interest accrued at the stated rate would become immediately due and payable without notice. These Notes have been recorded as a direct addition to unrestricted net assets in the year received. FMI has not entered into any new notes in 2013 or 2012.

FMI also entered into agreements with various federal and state agencies whereby FMI received grants. In connection with these grants, FMI must not, among other things, dispose of any property under its control that was acquired and/or improved with grant funds for a period between 15 and 40 years. In the event of noncompliance, FMI would reimburse the agency the current fair market value of the property, less any portion of the value attributable to expenditures of nongrant funds for acquisition of, or improvement to, the property. These grants have been recorded as a direct addition to unrestricted net assets in the year received. Management believes FMI is in compliance with the

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

grant agreements as of June 30, 2013 and 2012 and no amounts have been accrued in the accompanying consolidated balance sheets.

FMI refinanced Assisi Homes – Batavia Apartments, Inc., a wholly owned entity, on October 31, 2012. Management is working with HUD to amend its Use Agreement with final resolution expected during 2014.

(c) *Litigation*

WFSI and its subsidiaries are involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate resolution of professional liability and other litigation matters will not have a material effect on the consolidated financial position or results from operations of WFSI and its subsidiaries.

(d) *State Sales and Property Tax Exemption*

Local taxing authorities throughout the country are increasingly challenging the sales and real estate tax exemptions of not-for-profit healthcare providers.

WFSI prevailed in the Wisconsin Supreme Court in its litigation related to the property tax exemption of one of its Wisconsin facilities. Since opening the Wheaton Franciscan, Inc. – Wauwatosa Campus outpatient center in 2003, the City of Wauwatosa (the City) has taken the stand that because there are physician offices in the building, the entire building is taxable and the City has assessed property taxes accordingly. WFSI has paid and expensed property taxes as assessed, which are included in purchased services, supplies, and other expenses. WFSI has maintained that the majority of the facility is dedicated to hospital-based services as an extension of Wheaton Franciscan, Inc., and therefore, it should be required to pay taxes only on the physician office space in the facility. WFSI appealed the City decision to tax the entire facility seeking a refund of the taxes it has paid to date on the property plus interest. That appeals process led to the case going before a Wisconsin Circuit Court in August 2007. On March 30, 2009, the court issued a decision in the matter in WFSI's favor granting the facility's tax exemption and ordered the City to refund the taxes paid to date. The City appealed the case. In August 2010, the Wisconsin Court of Appeals reversed the trial court decision and determined that the outpatient center in the City of Wauwatosa constitutes a "doctor's office" and, therefore, is ineligible for property tax exemption under Wisconsin law. In September 2010, WFSI filed a Petition for Review to the Wisconsin Supreme Court. On July 19, 2011, the Wisconsin Supreme Court reversed the Court of Appeals' decision and ruled in favor upholding the tax-exempt status of Wheaton Franciscan, Inc. The Court concluded that two-thirds of the outpatient facility was exempt from property tax. The Court reasoned that the facility was exempt because it was used for the primary purpose of a hospital.

Notwithstanding the recent favorable decision in Wisconsin, where the majority of Wheaton Franciscan Healthcare's business is conducted, the State of Illinois is taking an alternative approach to property and sales tax for healthcare providers conducting business in its state. To date, the State of Illinois has revoked and/or is currently reviewing the ongoing property and sales tax exemption of several Illinois Hospitals (unrelated to Wheaton Franciscan Healthcare). The State's focus has been exclusively on the level of free or discounted care being provided by the hospital. Other charitable

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

factors, such as the level of government payors and/or other community services provided by the hospitals, are generally not being considered by the State as factors relevant to exemption. As of September 2013, the state of Illinois requires hospitals to report the value of services or activities provided by the hospital compared to the value of the estimated property tax bill.

(e) *Legal, Regulatory, and Other Contingencies and Commitments*

The laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for WFSI and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. WFSI maintains a compliance program designed to educate employees and to detect and correct possible violations.

In 2013 and 2012, WFSI received and expects to receive future notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. WFSI is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on the WFSI's net patient service revenues.

(f) *The Patient Protection and Affordable Care Act*

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act of the healthcare reform law), was signed into law on March 23, 2010. The statute will change how healthcare services are delivered and reimbursed through a variety of mechanisms. The law contains stronger anti-fraud enforcement provisions and provides additional funding for enforcement activity.

On May 6, 2011, CMS issued a final rule establishing a value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, incentive payments will be made based on achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. WFSI continues to monitor the impact of this regulation as regulations become finalized.

(g) *Investment Risks and Uncertainties*

WFSI invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

WHEATON FRANCISCAN SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands)

(17) Subsequent Events

WFSI evaluated events and transactions through October 22, 2013, which is the date the consolidated financial statements were issued, noting no subsequent events other than those as previously described in the preceding notes, requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

Assets	WFSI Healthcare	WFSI Housing	Eliminations	WFSI consolidated
Current assets				
Cash and cash equivalents	\$ 16,082	9,578	—	25,660
Short-term investments	11,448	—	—	11,448
Assets whose use is limited – required for current liabilities	57,286	—	—	57,286
Patient accounts receivable, net of uncollectible accounts of approximately \$56,767	220,309	—	—	220,309
Inventories of supplies	25,229	—	—	25,229
Prepaid expenses and other	46,019	517	(251)	46,285
Total current assets	376,373	10,095	(251)	386,217
Noncurrent assets whose use is limited	720,908	12,858	—	733,766
Property, plant, and equipment, net	1,022,870	80,918	—	1,103,788
Other assets				
Restricted assets	19,288	—	—	19,288
Deferred expenses, net	3,412	1,955	—	5,367
Investments in unconsolidated affiliates	24,472	—	—	24,472
Notes and accounts receivable, affiliated organizations	2,872	—	(2,872)	—
Other long-term assets	25,736	3,252	—	28,988
Total other assets	75,780	5,207	(2,872)	78,115
Total assets	\$ 2,195,931	109,078	(3,123)	2,301,886
Liabilities and Net Assets				
Current liabilities				
Current installments of long-term debt – bonds	\$ 11,760	—	—	11,760
Long-term debt subject to short-term remarketing agreements	39,978	—	—	39,978
Current installments of long-term debt – mortgages	—	8,234	—	8,234
Current installments of notes payable to affiliates	—	4,114	(4,114)	—
Accounts payable and accrued expenses	250,926	4,546	(251)	255,221
Estimated third-party payor settlements	18,817	—	—	18,817
Total current liabilities	321,481	16,894	(4,365)	334,010
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	699,131	—	—	699,131
Long-term debt, excluding current installments – mortgages	—	30,738	—	30,738
Notes payable to affiliates, excluding current installments	—	2,872	(2,872)	—
Accrued pension liability	136,712	—	—	136,712
Other	100,931	982	—	101,913
Total liabilities	1,258,255	51,486	(7,237)	1,302,504
Net assets				
Unrestricted	918,388	57,592	4,114	980,094
Temporarily restricted	16,190	—	—	16,190
Permanently restricted	3,098	—	—	3,098
Total net assets	937,676	57,592	4,114	999,382
Total liabilities and net assets	\$ 2,195,931	109,078	(3,123)	2,301,886

See accompanying independent auditors' report

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

	WFSI Healthcare	WFSI Housing	Eliminations	WFSI consolidated
Net patient service revenues before bad debt	\$ 1,642,700	—	—	1,642,700
Provision for bad debts	75,197	—	—	75,197
Net patient service revenues before bad debt	1,567,503	—	—	1,567,503
Other revenues				
Other	168,496	27,188	(1,271)	194,413
Net assets released from restrictions	1,499	—	—	1,499
Total revenues	1,737,498	27,188	(1,271)	1,763,415
Expenses				
Salaries and fringe benefits	1,008,097	7,746	(249)	1,015,594
Purchased services, supplies, and other	555,567	11,904	(932)	566,539
Interest	31,304	1,905	(90)	33,119
Depreciation and amortization	103,782	4,893	—	108,675
Total expenses	1,698,750	26,448	(1,271)	1,723,927
Income from operations	38,748	740	—	39,488
Nonoperating gains				
Investment return	25,506	736	—	26,242
Swap valuation adjustments	2,037	—	—	2,037
Other, net	594	261	—	855
Nonoperating gains, net	28,137	997	—	29,134
Revenues and gains in excess of expenses and losses	66,885	1,737	—	68,622
Other changes in unrestricted net assets				
Net assets released from restrictions used for purchase of property, plant, and equipment	2,135	—	—	2,135
Change in unrecognized net defined-benefit plan costs	103,708	—	—	103,708
Equity transactions of unconsolidated affiliates and other, net	445	—	—	445
Change in unrestricted net assets	\$ 173,173	1,737	—	174,910

See accompanying independent auditors' report

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

Assets	Wheaton Franciscan Services, Inc.	Wheaton Franciscan Healthcare Southeast WI/ Medical Group	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Current assets			
Cash and cash equivalents	\$ 13,359	147,325	17,268
Short-term investments	11,448	—	—
Assets whose use is limited – required for current liabilities	57,286	—	—
Patient accounts receivable, net of uncollectible accounts of approximately \$56,767	—	176,604	9,296
Inventories of supplies	182	21,051	224
Prepaid expenses and other	22,287	17,221	3,617
Total current assets	104,562	362,201	30,405
Noncurrent assets whose use is limited	547,877	5,566	704
Property, plant, and equipment, net	70,543	654,456	61,104
Other assets			
Restricted assets	29	11,976	3,994
Deferred expenses, net	3,412	—	—
Investments in unconsolidated affiliates	916	23,556	—
Notes and accounts receivable, affiliated organizations	451,475	—	—
Other long-term assets	—	29,805	—
Total other assets	455,832	65,337	3,994
Total assets	\$ 1,178,814	1,087,560	96,207
Liabilities and Net Assets (Deficit)			
Current liabilities			
Current installments of long-term debt – bonds	\$ 11,760	—	—
Long-term debt subject to short-term remarketing agreements	39,978	—	—
Current installments of long-term debt – mortgages	—	—	—
Current installments of notes payable to affiliates	—	—	—
Accounts payable and accrued expenses	341,156	93,005	6,060
Estimated third-party payor settlements	—	12,290	946
Total current liabilities	392,894	105,295	7,006
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	699,131	—	—
Long-term debt, excluding current installments – mortgages	—	—	—
Notes payable to affiliates, excluding current installments	—	404,025	33,216
Accrued pension liability	136,712	—	—
Other	96,081	5,018	384
Total liabilities	1,324,818	514,338	40,606
Net assets (deficit)			
Unrestricted	(146,033)	561,246	51,607
Temporarily restricted	29	10,243	3,994
Permanently restricted	—	1,733	—
Total net assets (deficit)	(146,004)	573,222	55,601
Total liabilities and net assets (deficit)	\$ 1,178,814	1,087,560	96,207

See accompanying independent auditors' report

Schedule 3

WFH-Iowa, Inc.	St. Catherine's Hospital, Inc.	OSF Services, Inc.	Franciscan Ministries, Inc.	Subtotal	Adjustments/ eliminations	Total
94,692	6,022	466	9,578	288,710	(263,050)	25,660
—	—	—	—	11,448	—	11,448
—	—	—	—	57,286	—	57,286
34,409	—	—	—	220,309	—	220,309
3,772	—	—	—	25,229	—	25,229
2,759	15	643	517	47,059	(774)	46,285
135,632	6,037	1,109	10,095	650,041	(263,824)	386,217
8,553	—	158,208	12,858	733,766	—	733,766
107,322	129,026	419	80,918	1,103,788	—	1,103,788
3,261	—	28	—	19,288	—	19,288
—	—	—	1,955	5,367	—	5,367
—	—	—	—	24,472	—	24,472
—	—	—	—	451,475	(451,475)	—
265	—	3	3,252	33,325	(4,337)	28,988
3,526	—	31	5,207	533,927	(455,812)	78,115
255,033	135,063	159,767	109,078	3,021,522	(719,636)	2,301,886
—	—	—	—	11,760	—	11,760
—	—	—	—	39,978	—	39,978
—	—	—	8,234	8,234	—	8,234
—	—	—	4,114	4,114	(4,114)	—
23,899	49,527	852	4,546	519,045	(263,824)	255,221
5,581	—	—	—	18,817	—	18,817
29,480	49,527	852	16,894	601,948	(267,938)	334,010
—	—	—	—	699,131	—	699,131
—	—	—	30,738	30,738	—	30,738
11,362	—	—	2,872	451,475	(451,475)	—
—	—	—	—	136,712	—	136,712
3,785	—	—	982	106,250	(4,337)	101,913
44,627	49,527	852	51,486	2,026,254	(723,750)	1,302,504
207,145	85,536	158,887	57,592	975,980	4,114	980,094
1,896	—	28	—	16,190	—	16,190
1,365	—	—	—	3,098	—	3,098
210,406	85,536	158,915	57,592	995,268	4,114	999,382
255,033	135,063	159,767	109,078	3,021,522	(719,636)	2,301,886

WHEATON FRANCISCAN SERVICES, INC.
Consolidating Statement of Operations Information
Year ended June 30, 2013
(In thousands)

	Wheaton Franciscan Services, Inc.	Wheaton Franciscan Healthcare Southeast WI/ Medical Group	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Net patient service revenues before bad debt	\$ —	1,280,702	71,471
Provision for bad debts	—	63,384	602
Net patient service revenues	—	1,217,318	70,869
Other revenues			
Other	321,714	106,069	10,310
Net assets released from restrictions	—	819	382
Total revenues	321,714	1,324,206	81,561
Expenses			
Salaries and fringe benefits	206,246	698,716	56,661
Purchased services, supplies, and other	70,298	517,432	19,877
Interest	32,304	19,187	1,680
Depreciation and amortization	21,413	60,287	3,328
Total expenses	330,261	1,295,622	81,546
Income from operations	(8,547)	28,584	15
Nonoperating gains (losses)			
Investment return	8,168	6,962	745
Swap valuation adjustments	2,037	—	—
Other, net	(23)	167	(100)
Nonoperating gains, net	10,182	7,129	645
Revenues and gains in excess of expenses and losses	1,635	35,713	660
Other changes in unrestricted net assets			
Net assets released from restrictions used for purchase of property, plant, and equipment	—	256	60
Change in unrecognized net defined-benefit plan costs	103,708	—	—
Equity transactions of unconsolidated affiliates and other, net	—	—	—
Change in unrestricted net assets	\$ 105,343	35,969	720

See accompanying independent auditors' report

Schedule 4

WFH-Iowa, Inc.	St. Catherine's Hospital, Inc.	OSF Services, Inc.	Franciscan Ministries, Inc.	Subtotal	Adjustments/ eliminations	Total
290,527	—	—	—	1,642,700	—	1,642,700
11,211	—	—	—	75,197	—	75,197
279,316	—	—	—	1,567,503	—	1,567,503
25,721	13,868	3,347	27,188	508,217	(313,804)	194,413
298	—	—	—	1,499	—	1,499
305,335	13,868	3,347	27,188	2,077,219	(313,804)	1,763,415
165,707	—	4,524	7,746	1,139,600	(124,006)	1,015,594
111,471	357	2,507	11,904	733,846	(167,307)	566,539
534	—	—	1,905	55,610	(22,491)	33,119
11,080	7,621	53	4,893	108,675	—	108,675
288,792	7,978	7,084	26,448	2,037,731	(313,804)	1,723,927
16,543	5,890	(3,737)	740	39,488	—	39,488
4,204	—	5,427	736	26,242	—	26,242
—	—	—	—	2,037	—	2,037
(988)	7	1,531	261	855	—	855
3,216	7	6,958	997	29,134	—	29,134
19,759	5,897	3,221	1,737	68,622	—	68,622
1,819	—	—	—	2,135	—	2,135
—	—	—	—	103,708	—	103,708
(321)	—	766	—	445	—	445
21,257	5,897	3,987	1,737	174,910	—	174,910

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Balance Sheet Information – The Obligated Group

June 30, 2013

(In thousands)

Assets	Wheaton Franciscan Services, Inc.	Southeast Wisconsin Region	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Current assets			
Cash and cash equivalents	\$ 12,159	147,145	17,268
Short-term investments	11,448	—	—
Assets whose use is limited – required for current liabilities	57,286	—	—
Patient accounts receivable, net of uncollectible accounts of approximately \$54,074	—	171,105	8,129
Inventories of supplies	182	18,008	224
Prepaid expenses and other	19,200	751,574	3,502
Total current assets	<u>100,275</u>	<u>1,087,832</u>	<u>29,123</u>
Noncurrent assets whose use is limited	512,498	5,376	—
Property, plant, and equipment, net	70,543	647,044	60,961
Other assets			
Restricted assets	29	5,397	—
Deferred expenses, net	3,412	—	—
Investments in unconsolidated affiliates	15,346	57,971	—
Notes and accounts receivable, affiliated organizations	451,476	45	—
Other long-term assets	—	27,278	—
Total other assets	<u>470,263</u>	<u>90,691</u>	<u>—</u>
Total assets	\$ <u><u>1,153,579</u></u>	<u><u>1,830,943</u></u>	<u><u>90,084</u></u>
Liabilities and Net Assets (Deficit)			
Current liabilities			
Current installments of long-term debt – bonds	\$ 11,760	—	—
Long-term debt subject to short-term remarketing agreements	39,978	—	—
Accounts payable and accrued expenses	341,087	844,021	4,808
Estimated third-party payor settlements	—	12,044	946
Total current liabilities	<u>392,825</u>	<u>856,065</u>	<u>5,754</u>
Long-term debt, excluding current installments and net unamortized bond issue premiums – bonds	699,131	—	—
Notes payable to affiliates, excluding current installments	—	401,541	33,216
Accrued pension liability	136,712	—	—
Other	70,915	5,018	384
Total liabilities	<u>1,299,583</u>	<u>1,262,624</u>	<u>39,354</u>
Net assets (deficit)			
Unrestricted	(146,033)	562,922	50,730
Temporarily restricted	29	4,679	—
Permanently restricted	—	718	—
Total net assets (deficit)	<u>(146,004)</u>	<u>568,319</u>	<u>50,730</u>
Total liabilities and net assets (deficit)	\$ <u><u>1,153,579</u></u>	<u><u>1,830,943</u></u>	<u><u>90,084</u></u>

See accompanying independent auditors' report

Schedule 5

Iowa Region	St. Catherine's Hospital, Inc.	Subtotal	Adjustments/ eliminations	Total
94,691	6,022	277,285	(263,159)	14,126
—	—	11,448	—	11,448
—	—	57,286	—	57,286
28,469	—	207,703	—	207,703
3,372	—	21,786	—	21,786
2,780	15	777,071	(733,507)	43,564
129,312	6,037	1,352,579	(996,666)	355,913
—	—	517,874	6,397	524,271
93,905	129,026	1,001,479	—	1,001,479
272	—	5,698	11,259	16,957
—	—	3,412	—	3,412
—	—	73,317	(18,650)	54,667
10,511	—	462,032	(456,630)	5,402
265	—	27,543	(4,337)	23,206
11,048	—	572,002	(468,358)	103,644
234,265	135,063	3,443,934	(1,458,627)	1,985,307
—	—	11,760	—	11,760
—	—	39,978	—	39,978
21,803	49,527	1,261,246	(996,666)	264,580
3,842	—	16,832	—	16,832
25,645	49,527	1,329,816	(996,666)	333,150
—	—	699,131	—	699,131
21,873	—	456,630	(456,630)	—
—	—	136,712	—	136,712
2,462	—	78,779	(4,337)	74,442
49,980	49,527	2,701,068	(1,457,633)	1,243,435
184,013	85,536	737,168	(12,253)	724,915
272	—	4,980	10,244	15,224
—	—	718	1,015	1,733
184,285	85,536	742,866	(994)	741,872
234,265	135,063	3,443,934	(1,458,627)	1,985,307

WHEATON FRANCISCAN SERVICES, INC.

Consolidating Statement of Operations Information – The Obligated Group

Year ended June 30, 2013

(In thousands)

	Wheaton Franciscan Services, Inc.	Southeast Wisconsin Region	Marianjoy Rehabilitation Hospital & Clinics, Inc.
Net patient service revenues before bad debt	\$ —	1,233,092	62,045
Provision for bad debts	—	62,821	334
Net patient service revenues	—	1,170,271	61,711
Other revenues			
Other	317,979	293,540	10,132
Net assets released from restrictions	—	736	382
Total revenues	317,979	1,464,547	72,225
Expenses			
Salaries and fringe benefits	206,246	656,199	46,013
Purchased services, supplies, and other	66,563	700,507	19,110
Interest	32,304	19,032	1,680
Depreciation and amortization	21,413	59,529	3,305
Total expenses	326,526	1,435,267	70,108
Income from operations	(8,547)	29,280	2,117
Nonoperating gains (losses)			
Investment return	8,168	6,962	572
Swap valuation adjustments	2,037	—	—
Other, net	(23)	350	(100)
Nonoperating gains, net	10,182	7,312	472
Revenues and gains in excess of expenses and losses	1,635	36,592	2,589
Other changes in unrestricted net assets			
Net assets released from restrictions used for purchase of property, plant, and equipment	—	253	60
Change in unrecognized net defined-benefit plan costs	103,708	—	—
Equity transactions of unconsolidated affiliates and other, net	—	(775)	(3,083)
Change in unrestricted net assets	\$ 105,343	36,070	(434)

See accompanying independent auditors' report

Schedule 6

Iowa Region	St. Catherine's Hospital, Inc.	Subtotal	Adjustments/ eliminations	Total
241,824	—	1,536,961	—	1,536,961
9,550	—	72,705	—	72,705
232,274	—	1,464,256	—	1,464,256
38,172	13,868	673,691	(525,039)	148,652
283	—	1,401	—	1,401
270,729	13,868	2,139,348	(525,039)	1,614,309
146,117	—	1,054,575	(123,757)	930,818
106,121	357	892,658	(379,617)	513,041
511	—	53,527	(22,246)	31,281
8,897	7,621	100,765	—	100,765
261,646	7,978	2,101,525	(525,620)	1,575,905
9,083	5,890	37,823	581	38,404
3,313	—	19,015	—	19,015
—	—	2,037	—	2,037
(689)	7	(455)	—	(455)
2,624	7	20,597	—	20,597
11,707	5,897	58,420	581	59,001
1,542	—	1,855	—	1,855
—	—	103,708	—	103,708
7,268	—	3,410	—	3,410
20,517	5,897	167,393	581	167,974