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DLN: 93493132028424

Form **990**

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)

2012

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

A Fo	r the	2012 cal	endar year, or tax year beginnin	g 07-01-2012 , 2012, and end	ing 06-30-	-2013			
		pplicable	C Name of organization ALEGENT HEALTH-MERCY HOSPITAL	_ CORNING IA			D Employ	yer ide	ntification number
_	dress ch	_	Doing Business As				42-07	8251	8
_	me cha	_							
_	tial retu		Number and street (or P O box if r P O BOX 368	naıl ıs not delivered to street address)	Room/suite	2	E Telepho	ne num	ber
_	rmınate iended		City or town, state or country, and	7ID + 4			(402)	343-4	1323
_		n pending	CORNING, IA 50841	ZIP + 4					
API	plication	r pending	F Name and address of pri	ncinal officer	1	117-3			\$ 18,785,887
			JEANETTE WOJTALEWICZ				nis a group ates?	return	rfor
			12809 WEST DODGE ROA OMAHA, NE 68154	D		11/1-2			
			,						ided? Yes No (see instructions)
Ta	x-exem	npt status	▽ 501(c)(3) □ 501(c)() ◄	(insert no)	27	_			
w	ebsite	e: 🕨 WW	VW ALEGENTCREIGHTON COM	1		H(c) Gro	up exempti	on nur	mber 🗠
K For	m of or	ganızatıon	Corporation Trust Association	on Other ►	I	L Year of f	ormation 19	53 M	State of legal domicile IA
	rt I		ımary					•	
			escribe the organization's missi						
	-	TO PRO	VIDE HIGH QUALITY CARE FO	OR THE BODY, MIND, AND SP	IRIT OF E	VERY PER	RSON		
Governance	-								
	:								
<u> </u>	2 (Check th	his box 析 if the organization di	iscontinued its operations or dis	sposed of	more than	25% of its	net as	sets
	١,,,	NI	-6t					ا م	1
Activities &			of voting members of the govern of independent voting members					3 4	11
2	1		mber of individuals employed in					5	158
Ę	1		mber of volunteers (estimate if r					6	77
4.	1		related business revenue from P			7a	0		
	ь	Net unre	elated business taxable income t	from Form 990-T, line 34 .				7b	0
						Pri	or Year		Current Year
a.	8	Contri	butions and grants (Part VIII, I	ıne 1 h)			133,6	98	864,000
al le	9	_	am service revenue (Part VIII, I				17,931,0	-	17,636,824
Revenue	10		tment income (Part VIII, columi			-29,615			1,008
	11		revenue (Part VIII, column (A), revenue—add lines 8 through 11				164,8	44	272,581
	12		revenue—add illes o tillough 11	• • •			18,199,9	72	18,774,413
	13	Grants	s and sımılar amounts paıd (Part	IX, column (A), lines 1-3) .			499,5	66	560,249
	14		its paid to or for members (Part :					0	0
st.	15	Saları 5–10)	es, other compensation, employ	ee benefits (Part IX, column (A), lines	7,892,29		90	8,214,567
Expenses	16a		, ssional fundraising fees (Part IX,	, column (A), line 11e)			.,,-	0	0
¥ E	ь		ındraısıng expenses (Part IX, column (D						
ш	17		expenses (Part IX, column (A),		 .		8,898,9	00	9,284,168
	18	Total	expenses Add lines 13–17 (mu	ıst equal Part IX, column (A), lıı	ne 25)		17,290,7	'56	18,058,984
	19	Reven	ue less expenses Subtract line	18 from line 12			909,2	16	715,429
Net Assets or Fund Balances						_	ng of Currer Year	nt	End of Year
20 00 10 00	20	Total	assets (Part X, line 16)				16,710,4	48	17,358,308
2 B	21		liabilities (Part X, line 26)				2,103,2	-	2,035,678
200	22		ssets or fund balances Subtract				14,607,2		15,322,630
Pai	rt II	Sign	nature Block					•	
Unde my k	r pena nowled	alties of dge and	perjury, I declare that I have ex belief, it is true, correct, and cor nowledge						
		L _					2014-05-08		
Sigr		Signa	ature of officer				Date		
Her	е		IETTE WOJTALEWICZ CFO						
		<u> 17 - </u>	e or print name and title Print/Type preparer's name	Preparer's signature	Dat	e		PTIN	
Paid	d		ANGELA LEA	, reparer a signature	Dat	se	eck If lf-employed	P0105	
	_u pare		Firm's name F CATHOLIC HEALTH IN:	ITIATIVES		Fir	m's EIN 🟲 47	-06173	73
	on!		Firm's address ► 12809 WEST DODGE R	COAD		Ph	one no (402)	343-4	413
Jac	, UII	'Y	OMAHA, NE 68154				· ,		

May the IRS discuss this return with the preparer shown above? (see instructions)

√ Yes

√ No

Par	Part III Statement of Program Service Ac Check if Schedule O contains a response to				
1	Briefly describe the organization's mission				
MIN ENV STE' OFT	AITHFUL TO THE HEALING MINISTRY OF JESUS CHIND AND SPIRIT OF EVERY PERSON OUR COMMIT NVIRONMENTS RESPECT THE DIGNITY OF EVERY TEWARDS COLLABORATE WITH OTHERS TO IMPROPED AND DISADVANTAGED AND LEDGE TO BE CREATIVE, VISIONARY LEADERS CO	MENT TO HE PERSON CAR VE THE HEA CT WITH IN	EALING CALLS US RE FOR THE RESO LLTH OF OUR CON TEGRITY IN ALL I	S TO CREATE CARING AND URCES ENTRUSTED TO US MMUNITIES ATTEND ESPEC ENDEAVORS TO ACHIEVE T	COMPASSIONATE AS RESPONSIBLE IALLY TO THE NEEDS
2	2 Did the organization undertake any significant prog the prior Form 990 or 990-EZ?		during the year w	hich were not listed on	Г Yes Г No
	If "Yes," describe these new services on Schedule	0			
3	services?	ınıfıcant char	nges in how it cond	ucts, any program	┌ Yes ┌ No
	If "Yes," describe these changes on Schedule O				
4	Describe the organization's program service accor expenses Section 501(c)(3) and 501(c)(4) organ the total expenses, and revenue, if any, for each pi	zations are re	equired to report th		,
4a	4a (Code) (Expenses \$ 8,5	02,599 ınclud	ing grants of \$	49,628) (Revenue \$	1,578,096)
	ALEGENT HEALTH MERCY HOSPITAL, CORNING PROVIDES SE AUDIOLOGY, EAR, NOSE AND THROAT, CARDIOVASCULAR SE GYNECOLOGY/OBSTETRICS, ONCOLOGY, OPTHALMOLOGY, O	RVICES, DERMA	TOLOGY, GASTROENTE	ROLOGY, GENERAL SURGERY/WOUN	D CARE,
	4b (Code) (Expenses \$ 6,6	34,208 ınclud	ing grants of \$	255,822) (Revenue \$	8,134,690)
70	ALEGENT HEALTH MERCY HOSPITAL, CORNING HAS STRIVED NEIGHBORS IN THIS RURAL COMMUNITY MERCY HOSPITAL ALEGENT HEALTH MERCY HOSPITAL, CORNING PROVIDES A MEDICINE IN ADDITION TO GENERAL RADIOLOGY, MAMMOG	TO IMPROVE TH CORNING IS PR /ARIETY OF DIAG	HE HEALTH STATUS OF OUD TO OFFER HEALTI GNOSTIC SERVICES TO	CHILDREN, TEENS, ADULTS, SENIOR HCARE SERVICES CLOSE TO HOME W THE COMMUNITY, SUCH AS CT SCA	CITIZENS, FRIENDS AND
	4c (Code) (Expenses \$ 1,5	69,501 ınclud	ıng grants of \$	254,799) (Revenue \$	8,102,123)
	ALEGENT HEALTH MERCY HOSPITAL, CORNING SUPPORTS TO MAINTAINING A LEVEL OF EFFICIENCY THE HOSPITAL OFFEL ACCOMMODATIONS, DIAGNOSTIC IMAGING SERVICES, CARE	HE MISSION BY O	CONTINUALLY MAKING ING SERVICES TO OUR	SERVICES MORE CONVENIENT AND A PATIENTS 24-HOUR EMERGENCY C	ACCESSIBLE WHILE CARE WITH HELIPORT
	4d Other program services (Describe in Schedule O)			
	(Expenses \$ including g	•) (Revenue \$)
4e	4e Total program service expenses ► 17,10	6,308			

Part TV	Chec	klist 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		N o
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 $\sqrt[N]{2}$	10	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
а	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
	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	Yes	
е	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16		No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If</i> "Yes," complete Schedule G, Part II	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		N o
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?	20h	Vac	

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

			Yes	N
1a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable 1a 31		163	'
	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b 0	-		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable			
	gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	j	v	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	Yes	
За	Did the organization have unrelated business gross income of \$1,000 or more during the year?	За		N
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b		
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	4-		
	account)?	4a		N
b	If "Yes," enter the name of the foreign country \(\blacktriangle \) See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
	See instructions for fining requirements for Form 1D F 90-22 1, Report of Foreign Bank and Financial Accounts			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		N
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		N
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
		5c		
	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		٨
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	Organizations that may receive deductible contributions under section 170(c).			
а	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		٨
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
C	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		
d	If "Yes," indicate the number of Forms 8282 filed during the year	-/-		'
-				
е	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		<u> </u>
	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as			
	required?	7g		
	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess			
	business holdings at any time during the year?	8		
9	Sponsoring organizations maintaining donor advised funds.			
	Did the organization make any taxable distributions under section 4966?	9a		
	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
0	Initiation fees and capital contributions included on Part VIII, line 12 10a			
	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	-		
1	Section 501(c)(12) organizations. Enter			
	Gross income from members or shareholders			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
22	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	124		
3	Section 501(c)(29) qualified nonprofit health insurance issuers.	1		
	Is the organization licensed to issue qualified health plans in more than one state?	12-		
а	Note. See the instructions for additional information the organization must report on Schedule O	13a		<u> </u>
				I
	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			
b				

Se	ection A. Governing Body and Management		· ·	
1 2	Enter the number of voting members of the governing body at the end of the tax		Yes	No
Id	year			
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent			
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	Yes	
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	7a	Yes		
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
а	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No
Se	ection B. Policies (This Section B requests information about policies not required by the Internal R	evenu	ıe Cod	e.)
			Yes	No
L0a	Did the organization have local chapters, branches, or affiliates?	10a		No
	Did the organization have local chapters, branches, or affiliates?	10a 10b		
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters,		Yes	
b 11a	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing	10b		
b l1a b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	10b		
b 11a b 12a	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	10b	Yes	
b .1a b .2a b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	10b 11a 12a	Yes	
b l1a b l2a b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	10b 11a 12a 12b	Yes Yes	
b .1a b .12a c .3	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	10b 11a 12a 12b	Yes Yes Yes	
b .1a b .2a b c	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy?	10b 11a 12a 12b 12c 13	Yes Yes Yes Yes	
b .1a b .2a b c	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	10b 11a 12a 12b 12c 13	Yes Yes Yes Yes	
b 1.1a b 1.2a c 1.3 1.4 1.5	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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?	10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes	
b 1.1a b 1.2a c 1.3 1.4 1.5	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official	10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes Yes	
b .11a b .12a b c .3 .4 .5 a b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official	10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes Yes	
b.11a b.12a b c 1.3 1.4 1.5 a b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions) Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a	10b 11a 12a 12b 12c 13 14 15a 15b	Yes Yes Yes Yes Yes Yes Yes	No
b.11a b.12a b c.13.14 1.5 a b.16a	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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions) Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? 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	10b 11a 12a 12b 12c 13 14 15a 15b	Yes Yes Yes Yes Yes Yes Yes	No
b l1a b l2a c l3 l4 l5 a b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	10b 11a 12a 12b 12c 13 14 15a 15b	Yes Yes Yes Yes Yes Yes Yes	No

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

<u>Part VII</u> Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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) A verage hours per week (list any hours	more pers	than on is	one bot ect	not box h ar or/tr	offic ustee	ess er e)	(D) Reportable compensation from the organization	(E) Reportable compensation from related organizations	(F) Estimated amount of other compensation	
	for related organizations below dotted line)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	(W- 2/1099- MISC)	(W- 2/1099- MISC)	from the organization and related organizations	
(1) DEBRA GOLDSMITH	60 00	x		х				134,605	0	36,37	
EX-OFFICIO/ADMINISTRATOR	1 00							,			
(2) JANE RYCHNOVSKY	2 00	x		х				0	0		
SECRETARY (3) LINDA SHEARER	2 00	-					-				
VICE PRESIDENT	0	x		х				0	0	ı	
(4) RICHARD HOGAN	2 00										
PRESIDENT	0	X		Х				0	0	(
(5) RODNEY TRIPLETT	2 00										
DIRECTOR/NETWORK EXECUTIVE	44 00	X		Х				0	182,403	43,859	
(6) D RANDALL PRITZA MD	2 00										
DIRECTOR	60 00	X						0	556,430	34,58	
(7) DENISE MCNITT	2 00										
DIRECTOR	40 00	X						0	196,513	36,139	
(8) KARL MCCARTY	2 00										
DIRECTOR	0	X						0	0	•	
(9) MICHAEL GRUNDMAN	2 00										
DIRECTOR	1 00	X						0	0	•	
(10) RANDY ALLMAN	2 00	Ţ.,						_			
DIRECTOR	0	X						0	0	•	
(11) TIM MAXA	2 00	,						_			
DIRECTOR	0	X						0	0	•	
(12) RICHARD II HACHTEN	2 00			V				_	2.400.442	2.004.20	
ACH PRESIDENT & CEO	63 00	L_		Х	L		L	0	2,196,142	2,994,30	
(13) SCOTT WOOTEN	2 00			Х				0	783,424	1,590,99	
ACH SVP/CFO	62 00			^				U	783,424	1,590,990	
(14) BETHEL KOPP MD	60 00					Х		395,712	0	29,29	
PHYSICIAN	0							393,712		29,29	
(15) JOHN SAFRANEK MD	60 00					Х		182,768	0		
PHYSICIAN	0					<u> </u>		102,700			
(16) JOSEPH PICCOLO	60 00					x		175,252	0	30,66	
PHYSICIAN	0					<u> </u>		173,232	0	30,00	
(17) MAEN HADDADIN MD	60 00					Х		633,173	0	40,54	
	1	ı			1	. ^	1	1 033,1/3	U	1 40,54,	

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

(A) Name and Title	(B) A verage hours per week (list any hours	more pers and	than on is a dir	one bot	not bo: h ar	checl x, unle n office rustee	ess er	(D) Reportable compensation from the organization	(E) Reportable compensation from related organizations		(F Estim amount o compen from	ated of other sation the
	for related organizations below dotted line)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	(W- 2/1099- MISC)	(W- 2/1099 MISC)	9 -	organiz and re organiz	lated
(18) STEPHEN GRUBA MD	60 00					х		269,279		0		32,046
PHYSICIAN	0					_ ^		203,27				32,040
							H			\neg		
							\vdash					
1b Sub-Total						<u> </u> 				ᆛ		
1b Sub-Total	· · · · · · VII Section Δ		•	•		-		-				
d Total (add lines 1b and 1c)	•			٠.		⊢ ⊨		1,790,789	3,914,9	12		1,868,799
Total number of individuals (including b \$100,000 of reportable compensation i	ut not limited to	those		ed al	bove	e) who	rece	eived more than				
3 Did the organization list any former offi	cer, director or	trustee	e, key	/ em	nplo [,]	yee, o	r hıgl	hest compensate	ed employee		Yes	No
on line 1a? <i>If "Yes," complete Schedule J</i>	for such ındıvıa	ual .	•	٠	٠		•			3		No
4 For any individual listed on line 1a, is the organization and related organizations of individual									rom the	4	Yes	
5 Did any person listed on line 1a receive	or accrue com	pensat	ion fi	rom	any	unrel	ated	organization or i	ndıvıdual for	-	165	
services rendered to the organization?	If "Yes," comple	te Sche	dule.	J for	suc	ch pers	on			5		No
Section B. Independent Contracto	rs											
Complete this table for your five highes compensation from the organization. Re											tax year	
	(A) usiness address							Descript	(B) ion of services		(C Comper	
DON SABO 713 CENTER STREET STANTON IA 51573								PHYSICIAN SER	VICES	二		273,520
REHABVISIONS 11623 ARBOR STREET OMAHA NE 68144 SHARED MEDICAL SERVICES 209 LIMESTONE PASS COT		3527						REHAB SERVICI DIAGNOSTIC IM		\dashv		266,181 118,750
												· · ·
2 Total number of independent contractors	(including but i	not lim	ited t	o th	iose	listed	abo	ve) who receive	d more than	\dashv		

\$100,000 of compensation from the organization $\blacktriangleright 3$

Part V	1111	Statement of Revenue Check if Schedule O contains a respo	onse to any question	in this Part VIII			
				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512,513,or 514
2 2	1a	Federated campaigns 1a					
ant Jun	b	Membership dues 11	639				
Gr	С	Fundraising events 10	=				
iffis, ar A	d	Related organizations 10	775,725				
i, G nii	е	Government grants (contributions) 16	78,801				
Contributions, Gifts, Grants and Other Similar Amounts	, ,	All other contributions, gifts, grants, and					
uti her	•	sımılar amounts not ıncluded above					
itril Ot	g	Noncash contributions included in lines 1a-1f \$					
Con and	h	Total. Add lines 1a-1f		864,000			
			Business Code				
Program Serwce Revenue	2a	NET PATIENT SVC REVENUE	621500	17,033,319	17,033,319		
Rev	b	AFFILIATE REVENUE	900099	192,214	192,214		
931	С	HEALTH PROMOTIONS	611710	14,002	14,002		
Xer v	d	PHARMACY CASH SALES	900099	397,289	397,289		
E .	e			0			
odra	f	All other program service revenue		0	0	0	0
Ğ	g	Total. Add lines 2a-2f	<u></u> .	17,636,824			
	3	Investment income (including divider		1,008			1,008
	4	and other similar amounts) Income from investment of tax-exempt bond		0			
	5	Royalties	· · · · · ·	0			
		(ı) Real	(11) Personal				
	6a	Gross rents 4,190					
	b	Less rental 1,091 expenses					
	С	Rental income 3,099 or (loss)	0				
	d	Net rental income or (loss)		3,098			3,098
		(ı) Securities	(II) O ther				
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses Gain or (loss) 0					
	٦ C	Jam. 61 (1866)		0			
en	d 8a	Net gain or (loss)		0			
Other Revenue		sU of contributions reported on line 1c) See Part IV, line 18					
her	b	Less direct expenses b	4,763				
₹	c	Net income or (loss) from fundraising		4,783			4,783
	9a	Gross income from gaming activities See Part IV, line 19					
	b	Less direct expenses b					
	С	Net income or (loss) from gaming act		О			
	10a	Gross sales of inventory, less returns and allowances .	12,392				
	b	Less cost of goods sold b	10,381				
		Net income or (loss) from sales of inv		2,011			2,011
		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA	722320	84,604			84,604
	b	CONTRACT INCOME	900099	46,439	46,439		
	С	OTHER OPERATING REVENUE	900099	131,646	131,646		
	d	All other revenue		0	0	0	0
	е			262,689			
	12	Total revenue. See Instructions .		18,774,413	17,814,909	0	95,504

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)

Section	on 501(c)(3) and 501(c)(4) organizations must complete all columns All	other organizat	ions must comp	lete column (A)	
	Check if Schedule O contains a response to any question in this Pa	rt IX		<u></u>	<u> </u>
	ot include amounts reported on lines 6b, o, 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	11,405	11,405		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	548,844	548,844		
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	183,199		183,199	
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	6,578,141	6,249,234	328,907	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	268,564	255,136	13,428	
9	Other employee benefits	780,868	741,825	39,043	
10	Payroll taxes	403,795	383,605	20,190	
11	Fees for services (non-employees)				
а	Management	98,479	93,556	4,924	
b	Legal	13,112		13,112	
c	Accounting	0			
d	Lobbying	2,397	2,397		
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)	566,906	566,887	18	0
12	Advertising and promotion	80,606	76,575	4,030	
13	Office expenses	2,855,253	2,712,491	142,763	
14	Information technology	0	_,,,,	2 12,7 00	
15	Royalties	0			
16	Occupancy	785,346	785,346		
17	Travel	39,546	37,569	1,977	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	37,303	2,377	
19	Conferences, conventions, and meetings	17,676	16,792	884	
20	Interest	14,472	14,472	331	
21	Payments to affiliates	0	2.,2		
22	Depreciation, depletion, and amortization	763,511	725,335	38,176	
23	Insurance	49,583	47,104	2,479	
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)	,	,	,	
а	PURCHASED SERVICES	3,093,554	2,938,876	154,678	
b	BAD DEBTS	806,398	806,398		
c	MEMBERSHIP & DUES	42,722	40,585	2,137	
d	TAXES & LICENSES	17,128	16,270	858	
e	All other expenses	37,479	35,605	1,874	0
25	Total functional expenses. Add lines 1 through 24e	18,058,984	17,106,308	952,677	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ► ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

Par	rt X	Balance Sheet Check if Schedule O contains a response to any question in thi	s Part	x			
				<u> </u>	(A) Beginning of year	<u> </u>	(B) End of year
	1	Cash—non-interest-bearing			469,395	1	1,012,925
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net			0	3	
	4	Accounts receivable, net			2,794,326	4	2,118,444
	5	Loans and other receivables from current and former officers, cemployees, and highest compensated employees Complete P Schedule L	of		5	0	
Assets	6	Loans and other receivables from other disqualified persons (a $4958(f)(1)$), persons described in section $4958(c)(3)(B)$, and and sponsoring organizations of section $501(c)(9)$ voluntary e organizations (see instructions) Complete Part II of Schedule	outing employers		6	0	
% %	7	Notes and loans receivable, net				7	
Ą	8	Inventories for sale or use			387,137	8	393,295
	9	Prepaid expenses and deferred charges			9		
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	1	17,464,813			
	ь	Less accumulated depreciation	10b	10,440,790	6,684,743	10c	7,024,023
	11	Investments—publicly traded securities	٠			11	
	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				14	
	15	Other assets See Part IV, line 11			6,374,847	15	6,809,620
	16	Total assets. Add lines 1 through 15 (must equal line 34) .			16,710,448	16	17,358,308
	17	Accounts payable and accrued expenses			368,862	17	67,968
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
S	21	Escrow or custodial account liability Complete Part IV of Sch	edule I	o		21	
Liabilitie	22	Loans and other payables to current and former officers, direct key employees, highest compensated employees, and disqual		ustees,			
gej		persons Complete Part II of Schedule L				22	0
	23	Secured mortgages and notes payable to unrelated third partie	es .	•		23	
	24	Unsecured notes and loans payable to unrelated third parties			345, 126	24	
	25	Other liabilities (including federal income tax, payables to rela and other liabilities not included on lines 17-24) Complete Pa	rt X of		1,389,259	25	1,967,710
	26	Total liabilities. Add lines 17 through 25			2,103,247	26	2,035,678
es e		Organizations that follow SFAS 117 (ASC 958), check here ► lines 27 through 29, and lines 33 and 34.					
anc	27	Unrestricted net assets			14,607,201	27	15,322,630
<u> </u>	28	Temporarily restricted net assets				28	
<u> </u>	29	Permanently restricted net assets				29	
or Fund Balance		Organizations that do not follow SFAS 117 (ASC 958), check he complete lines 30 through 34.	ere ►	┌─ and			
9) 0	30	Capital stock or trust principal, or current funds				30	
Assets	31	Paid-in or capital surplus, or land, building or equipment fund				31	
As	32	Retained earnings, endowment, accumulated income, or other	funds			32	
Net	33	Total net assets or fund balances			14,607,201	33	15,322,630
_	34	Total liabilities and net assets/fund balances	<u> </u>	<u> </u>	16,710,448	34	17,358,308
							Form 990 (2012)

				<u>'</u>	age ==
Par	Reconcilliation of Net Assets Check if Schedule O contains a response to any question in this Part XI				୮
1	Total revenue (must equal Part VIII, column (A), line 12)	1		18.7	774,413
2	Total expenses (must equal Part IX, column (A), line 25)				,
		2		18,0	58,984
3	Revenue less expenses Subtract line 2 from line 1	3		7	15,429
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))				
_		4		14,6	507,201
5	Net unrealized gains (losses) on investments	5			
6	Donated services and use of facilities	_			
_	T	6			
7	Investment expenses	7			
8	Prior period adjustments				
9	Other changes in net assets or fund balances (explain in Schedule O)	8			
,	other changes in her assets of fund barances (explain in Schedule O)	9			0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33,	10		153	322,630
Par	t XII Financial Statements and Reporting	10		13,	722,030
	Check if Schedule O contains a response to any question in this Part XII				. Г
				Yes	No
	Accounting method used to prepare the Form 990				
1	If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O				
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		2a		No
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or revie a separate basis, consolidated basis, or both	wed on			
	Separate basis Consolidated basis Both consolidated and separate basis				
ь	Were the organization's financial statements audited by an independent accountant?		2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a sepa basis, consolidated basis, or both	rate			
	☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis				
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversigh audit, review, or compilation of its financial statements and selection of an independent accountant?	t of the	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain it Schedule O	า			
За	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?	e	За	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the r	equired	3b	Yes	
	audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits				

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As Filed Data -

DLN: 93493132028424

Employer identification number

OMB No 1545-0047

SCHEDULE A

(Form 990 or 990EZ)

Name of the organization

ALEGENT HEALTH-MERCY HOSPITAL CORNING IA

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.

Open to Public Inspection

									42-0782		
Pai				blic Charity Sta				•	 	ınstructions	5.
The o	rganı	zatıon ıs	not a priva	te foundation becaus	eitis (Forl	ines 1 thro	ugh 11, chec	k only one	box)		
1	Γ	A chur	ch, convent	ion of churches, or a	ssociation of	fchurches	described in s	section 170	(b)(1)(A)(i)	•	
2	\sqcap	A scho	ol describe	d in section 170(b)(1	L)(A)(ii). (At	tach Scheo	lule E)				
3	굣	A hosp	oital or a cod	perative hospital se	rvice organiz	zatıon desc	rıbed ın secti	on 170(b)(:	1)(A)(iii).		
4	Γ	A med	ical researc	h organization opera	ted ın conjun	ction with a	a hospital des	cribed in s	ection 170(b)	(1)(A)(iii).	Enter the
_	_			ity, and state							
5	ı	_	-	erated for the benefi	_	or univers	ity owned or o	operated by	/ a governme	ntal unit des	cribed in
	_				•						
6		A fede	ral, state, or	local government o	r government	tal unit des	cribed in sect	ion 170(b)	(1)(A)(v).		
7	Г	_		•		•	support from	n a governn	nental unit or	from the ger	neral public
	_						malata Dart I	т \			
section 170(b)(1)(A)(iv). (Complete Part II) A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v) An organization that normally receives a substantial part of its support from a governmental unit described in section 170(b)(1)(A)(vi). (Complete Part II) A community trust described in section 170(b)(1)(A)(vi) (Complete Part II) An organization that normally receives (1) more than 331/3% of its support from contributions, receipts from activities related to its exempt functions—subject to certain exceptions, and (2) receipts from gross investment income and unrelated business taxable income (less section acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III) An organization organized and operated exclusively to test for public safety See section 509(a) An organization organized and operated exclusively for the benefit of, to perform the functions of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(1) 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 By checking this box, I certify that the organization is not controlled directly or indirectly by one other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(2)					ubutione moi	mbarabın faa	a and areas				
9	ı										
										tax) from b	usinesses
4.0	_	-	-	=	•				-		
										see section	oos(a)(b). Check
										Non-function	ally integrated
e	Γ	By che	cking this b	ox, I certify that the	organization	ıs not conf	trolled directl	y or indired	tly by one or	more disqua	lified persons
		other t	han foundat	on managers and ot	her than one	or more pu	blicly support	ted organız	atıons descri	bed in sectio	on 509(a)(1) or
_											
f			rganization this box	received a written d	etermination	from the H	RS that it is a	Type I, Ty	pe II, or I yp	e III suppor	ting organization,
g				2006, has the organ	ızatıon accer	oted any gif	t or contribut	ion from an	v of the		,
-			ng persons?						,		
		(i) A p	erson who d	irectly or indirectly o	controls, eith	er alone or	together with	persons d	escribed in (i	ı) <u> </u>	Yes No
		and (III) below, the	governing body of th	ne supported	organizatio	n?			119	g(i)
		(ii) A f	amıly memb	er of a person descr	ıbed ın (ı) ab	ove?				119	g(ii)
		(iii) A	35% contro	lled entity of a perso	n described	ın (ı) or (ıı)	above?			11 g	ı(iii)
h		Provid	e the followi	ng information about	the support	ed organiza	tıon(s)				
(i) Nan	ne of	(ii) EIN	(iii) Type of	(iv) Is	the	(v) Did yo	u notify	(vi) Is	s the	(vii) A mount of
	uppo			organization	organizati		the organ		organiza		monetary
or	ganız	ation		(described on	col (i) lis		ın col (i)	'	col (i) or	. .	support
				lines 1-9 above or IRC section	your gove docume	_	suppo	10.	in the	0 3 .	
				(see							
				instructions))	Yes	No	Yes	No	Yes	No	1
			 			110	1.03	+	1.63	140	+
			-			1	+	+			+
Total							+				+

Sch	edule A (Form 990 or 990-EZ) 2012							Page 2
Pa	(Complete only if you c	hecked the bo	x on line 5, 7,	or 8 of Part I o	r if the organiza	ation faile	ed to q	
	Part III. If the organiza	tion fails to qu	alify under the	tests listed bel	ow, please com	<u>iplete Pa</u>	rt III.)	
	ection A. Public Support endar year (or fiscal year beginning					1		
	in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2	312	(f) Total
1	Gifts, grants, contributions, and							
	membership fees received (Do not							
2	Tax revenues levied for the							
	organization's benefit and either							
	paid to or expended on its							
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							
	governmental unit or publicly							
	supported organization) included on							
	line 1 that exceeds 2% of the							
	amount shown on line 11, column							
Section A. Publication Part III	Public support. Subtract line 5 from							
S	ection B. Total Support							
Cal	endar year (or fiscal year beginning	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 20)12	(f) Total
_	,		. ,		. ,	, ,		. ,
_	Gross income from interest,							
0	dividends, payments received on							
	securities loans, rents, royalties							
	and income from similar							
0	Net income from unrelated							
9	business activities, whether or not							
	the business is regularly carried							
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							
4.0			<u> </u>					
	Gross receipts from related activitie					12		
13	First five years. If the Form 990 is this box and stop here							ization, check
	ection C. Computation of Pub				<u> </u>	<u> </u>		
	Public support percentage for 2012			11, column (f))		14		
15	Public support percentage for 2011			, , , , , , ,		15		
		· ·	•	on line 13 and l	ine 14 is 33 1/20%		chack ti	nie hov
104	and stop here. The organization qua				me 1 1 13 33 1/3/0	or more,	JIICCK CI	► □
b	33 1/3% support test—2011. If the				and line 15 is 33	3 1/3% or n	nore, ch	eck this
	box and stop here. The organization						. 4 4	▶□
1/a	10%-facts-and-circumstances test- is 10% or more, and if the organizat							•
	in Part IV how the organization mee							
					4	r	,	▶ □
b	10%-facts-and-circumstances test-							
	15 is 10% or more, and if the organ Explain in Part IV how the organizat							lv
	supported organization	ion meets the T	acts-ana-cncum:	stances test III	ic organization qu	uiiiiE5 45 i	a public	·y ▶□
18	Private foundation. If the organizat	on did not check	c a box on line 13	, 16a, 16b, 17a,	or 17b, check thi	s box and	see	·
	instructions							▶ ┌

Schedule A (Form 990 or 990-EZ) 2012 Page 3 Support Schedule for Organizations Described in Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.) Section A. Public Support Calendar year (or fiscal year beginning (a) 2008 **(b)** 2009 (c) 2010 (d) 2011 (e) 2012 (f) Total in) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") 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						
3	furnished by a governmental unit to						
	the organization without charge						
6	Total. Add lines 1 through 5						
	Amounts included on lines 1, 2,						
/a	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						
С	Add lines 7a and 7b						
8	Public support (Subtract line 7c						
	from line 6)						
_Se	ction B. Total Support						
Cale	ndar year (or fiscal year beginning	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
	in) ►	(u) 2000	(6) 2003	(6) 2010	(4) 2011	(6) 2012	(1) 10tai
9	A mounts from line 6						
10a	Gross income from interest,						
	dividends, payments received on						
	securities loans, rents, royalties						
	and income from similar						
	sources						
Ь	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						
11	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)			Librari Corretto con	6.01	E04(-)(2)	
14	First five years. If the Form 990 is for	or the organization	on's first, second	i, thira, fourth, or	ππη tax year as a	1 501(c)(3) org	anization, ►
	check this box and stop here	a Cunnaut Da					<u> </u>
	ction C. Computation of Public			1.2		T I	
15	Public support percentage for 2012			13, column (T))		15	
16	Public support percentage from 2011	L Schedule A, Pa	art III, line 15			16	
Se	ction D. Computation of Inve	stment Inco	me Percenta	ge			
17	Investment income percentage for 20				nn (f))	17	
					. , ,		
18	Investment income percentage from					18	
19a	33 1/3% support tests—2012. If the o						ıd lıne 17 ıs not ▶□

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

Schedule A (Form 990 or 990-EZ) 2012

DLN: 93493132028424

OMB No 1545-0047

Inspection

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

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.

Political Campaign and Lobbying Activities

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

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

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

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

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then ◆ Section 501(c)(4), (5), or (6) organizations Complete Part III Name of the organization **Employer identification number** ALEGENT HEALTH-MERCY HOSPITAL CORNING IA 42-0782518 Complete if the organization is exempt under section 501(c) or is a section 527 organization. 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). 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 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? 3 Was a correction made? ☐ Yes ┌ No If "Yes," describe in Part IV Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3). Enter the amount directly expended by the filing organization for section 527 exempt function activities Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b Did the filing organization file Form 1120-POL for this year? 4 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 **(c)** EIN (e) A mount of political (a) Name (b) Address (d) A mount paid from contributions received filing organization's and promptly and funds If none, enter -0directly delivered to a separate political organization If none, enter-0-

e Grassroots ceiling amount (150% of line 2d, column (e))

f Grassroots lobbying expenditures

Sch	nedule C (Form 990 or 990-EZ) 2012					Page 2
Pa	art II-A Complete if the organization	is exempt under	section 501(c)(3) and fil	ed Form 5768	(election
_	under section 501(h)). Check ► if the filing organization belongs to a	an affiliated group (and	lict in Part IV os	ach affiliated are	un mambar's nam	o addross EIN
	expenses, and share of excess lobb	ying expenditures)		_	up member s nam	e, address, LTN
<u>B</u>	Check Frifthe filing organization checked box	x A and "limited contro	ıl" provisions apı	oly		
	Limits on Lobbying E (The term "expenditures" means an		l .)		(a) Filing organization's totals	(b) Affiliated group totals
1a	Total lobbying expenditures to influence public o	pınıon (grass roots lob	bying)			
b	Total lobbying expenditures to influence a legisla	ative body (direct lobb	yıng)			
c	Total lobbying expenditures (add lines 1a and 1b	o)				
d	O ther exempt purpose expenditures					
e	Total exempt purpose expenditures (add lines 1c	c and 1d)				
f	Lobbying nontaxable amount Enter the amount fo	rom the following table	ın both			
	If the amount on line 1e, column (a) or (b) is:	The lobbying nontax	able amount is:			
	Not over \$500,000	20% of the amount on li	ne 1e			
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the	e excess over \$500,0	000		
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the	e excess over \$1,000	0,000		
	Over \$1,500,000 but not over \$17,000,000	.000				
	Over \$17,000,000	\$1,000,000				
	Grassroots nontaxable amount (enter 25% of lin	e 1f)				
_	Subtract line 1g from line 1a If zero or less, ente	•		-		
i	Subtract line 1f from line 1c If zero or less, ente			-		
_	If there is an amount other than zero on either lin		organization file	Form 4720 rep	ortina	1
-	section 4911 tax for this year?					┌ Yes ┌ No
_	4-Voor Av	veraging Period U	Inder Section	F01/b)		
	(Some organizations that made a scolumns below. See the	section 501(h) el	ection do not	have to cor		ne five
	Lobbying Expe	enditures During	4-Year Avera	ging Period		1
	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 nontavable amount					

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

<i></i>	and Wan I wan and the land of the same of the land of	(6	a)	(b)
activ	ach "Yes" response to lines 1a through 11 below, provide in Part IV a detailed description of the lobbying ity.	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			
а	Volunteers?		Νo	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		Νo	
С	Media advertisements?		Νo	
d	Mailings to members, legislators, or the public?		Νo	
е	Publications, or published or broadcast statements?		Νo	
f	Grants to other organizations for lobbying purposes?	Yes		2,397
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		Νo	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	O ther activities?		No	
j	Total Add lines 1c through 1i			2,397
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?			
Dar	+ TII-A. Complete if the organization is exempt under section $501(c)(4)$ section	501/6	1(5)	r section

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."

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).		
а	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	Tayable amount of lobbying and political expenditures (see instructions)		

Part IV Supplemental Information

Dues, assessments and similar amounts from members

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

Identifier	Return Reference	Explanation
Description of the activities reported on Lines 1a through 1i		AMOUNTS PAID TO OTHER ORGANIZATIONS FOR LOBBYING PURPOSES TOTAL \$2,397 THIS INCLUDES DUES PAID TO VARIOUS ORGANIZATIONS INCLUDING THE CATHOLIC HEALTH ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION

DLN: 93493132028424

OMB No 1545-0047

SCHEDULE D (Form 990)

Department of the Treasury

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

Supplemental Financial Statements

Open to Public

mal Revenue	e Service	m 990. ► See separate instructions.		Inspection
	the organization EALTH-MERCY HOSPITAL CORNING IA		Emp	oloyer identification number
LLOLINI N	ENERT PIERCE HOSELIAE CORNING IA		42-	0782518
art I	Organizations Maintaining Donor Adv			
	organization answered "Yes" to Form 990		1	(b) Funds and abhance accorde
T - + - 1	Laurence of and of ware	(a) Donor advised funds		(b) Funds and other accounts
	number at end of year egate contributions to (during year)			
	egate contributions to (during year) egate grants from (during year)			
	egate value at end of year			
			or adv	us a d
funds	the organization inform all donors and donor advisors are the organization's property, subject to the or	ganization's exclusive legal control?		☐ Yes ☐ No
used	the organization inform all grantees, donors, and d I only for charitable purposes and not for the benef erring impermissible private benefit?			
	Conservation Easements. Complete if	the organization answered "Yes" t	o Forn	n 990, Part IV, line 7.
Purp	ose(s) of conservation easements held by the org	anızatıon (check all that apply)		
ΓP	rotection of natural habitat	Preservation of a	certifie	d historic structure
ΓP	reservation of open space			
	plete lines 2a through 2d if the organization held a ment on the last day of the tax year	a qualified conservation contribution in t	he forn	n of a conservation
				Held at the End of the Year
Tota	I number of conservation easements		2a	
Tota	l acreage restricted by conservation easements		2b	
Num	ber of conservation easements on a certified histo	oric structure included in (a)	2c	
	ber of conservation easements included in (c) acc oric structure listed in the National Register	uired after 8/17/06, and not on a	2d	
	ber of conservation easements modified, transferrax year 🛌	red, released, extinguished, or terminate	ed by th	ne organization during
Num	ber of states where property subject to conservat	on easement is located ►		
Does	s the organization have a written policy regarding treement of the conservation easements it holds?		—— dling of	f violations, and
Staff ⊳	and volunteer hours devoted to monitoring, inspe	cting, and enforcing conservation easer	ments o	during the year
	unt of expenses incurred in monitoring, inspecting	g, and enforcing conservation easements	s durın	g the year
	s each conservation easement reported on line 2(o section 170(h)(4)(B)(ii)?	d) above satisfy the requirements of sec	tion 17	70(h)(4)(B)(ı)
balar	art XIII, describe how the organization reports coince sheet, and include, if applicable, the text of the organization's accounting for conservation easeme	e footnote to the organization's financia		
t III		s of Art, Historical Treasures,	or Ot	her Similar Assets.
work	e organization elected, as permitted under SFAS 1 s of art, historical treasures, or other similar asse ice, provide, in Part XIII, the text of the footnote t	ts held for public exhibition, education,	or rese	earch in furtherance of public
If the work	e organization elected, as permitted under SFAS 1 s of art, historical treasures, or other similar asse ice, provide the following amounts relating to thes	16 (ASC 958), to report in its revenue its held for public exhibition, education,	statem	nent and balance sheet
(i) _R	evenues included in Form 990, Part VIII, line 1			▶ \$
(ii) ∆	ssets included in Form 990, Part X			 \$
Ifthe	e organization received or held works of art, histor wing amounts required to be reported under SFAS			'
	enues included in Form 990, Part VIII, line 1			► \$
ASSE	ets included in Form 990, Part X			► \$

Par	Organizations Maintaining Co	<u>llections of Art</u>	<u>, His</u>	torical i	reas	sures, or O	<u>tne</u>	r Similar As	ssets (c	continued)
3	Using the organization's acquisition, accessi collection items (check all that apply)	on, and other record	ds, ch	neck any o	f the f	ollowing that a	re a	sıgnıfıcant us	e of its	
а	Public exhibition		d	┌ Loai	n or e	xchange progr	ams			
b	Scholarly research		e	┌ Oth	er					
С	Preservation for future generations									
4	Provide a description of the organization's co Part XIII	llections and expla	ın hov	w they furth	ner th	e organızatıon	's ex	empt purpose	ın	
5	During the year, did the organization solicit o	or receive donations	ofar	t, historica	ıl trea	sures or other	rsım	ıılar		
	assets to be sold to raise funds rather than t		•						│ Yes	No
Par	t IV Escrow and Custodial Arrange Part IV, line 9, or reported an am					ion answered	d "Y	es" to Form	990,	
1a	Is the organization an agent, trustee, custod included on Form 990, Part X?					s or other ass	ets i	not	┌ Yes	┌ No
b	If "Yes," explain the arrangement in Part XII	I and complete the	follov	ving table		_				
								A	mount	
C	Beginning balance						1 c			
d	Additions during the year						1d			
е	Distributions during the year						1e			
f	Ending balance						1f			
2a	Did the organization include an amount on Fo	orm 990, Part X, line	21?						┌ Yes	┌ No
b	If "Yes," explain the arrangement in Part XII	I Check here if the	expla	nation has	beer	n provided in P	art >	(III		Γ
Pa	rt V Endowment Funds. Complete	f the organization			es" t	o Form 990,	Par	t IV, line 10.		
		(a)Current year	(b)) Prior year				Three years back		years back
1a	Beginning of year balance	35,634		20,84	+-	20,338	_	982	ļ	3,471
b	Contributions	293,627		33,90	08	27,073	<u> </u>	19,356	1	
С	Net investment earnings, gains, and losses					-26,565	5			
d	Grants or scholarships									
e	Other expenditures for facilities and programs	26,916		19,12	20					2,489
f	Administrative expenses									
g	End of year balance	302,345		35,63	34	20,846	5	20,338		982
2	Provide the estimated percentage of the curr	ent year end balanc	e (lın	ie 1g, colu	mn (a)) held as				
а	Board designated or quasi-endowment 🕨	0 %								
ь	Permanent endowment ► 0 %									
c	Temporarily restricted endowment ► 100	000 %								
	The percentages in lines 2a, 2b, and 2c show	uld equal 100%								
3a	Are there endowment funds not in the posses organization by	ssion of the organiza	ation	that are he	ld and	d administered	d for	the	Yes	No
	(i) unrelated organizations								(i)	No
	(ii) related organizations								(ii) Yes	
	If "Yes" to 3a(II), are the related organization	•			?.		•	3	b Yes	<u> </u>
4	Describe in Part XIII the intended uses of th				10					
Par	t VI Land, Buildings, and Equipme Description of property	nt. See Form 99	U, Pa	(a) Cost		er (b)Cost or o	ther	(c) Accumulate	d (d) B	book value
	Description of property			basis (inve				depreciation	_ (_, _	
	Land					7	,500			7,500
	Buildings					6,844		3,537,2	14	3,307,771
	Leasehold improvements					-,	0	,,-	0	0
	Equipment					9 400	,705	6,688,5	-	2,712,114
						2,700				
	O + h = "					1,211	,623	214,9	85	996,638

Part VIII Investments—Other Securities. See	Form 990, Part X, line 12	2.	
(a) Description of security or category	(b)Book value	(c) Metho	d of valuation
(including name of security)		Cost or end-of	-year market value
(1)Financial derivatives			
	-		
(2)Closely-held equity interests			
Other			
	1		
	+		
	+		
Total. (Column (b) must equal Form 990, Part X, col (B) line 12)	1		
Part VIII Investments—Program Related. See	e Form 990. Part X. line 1	13.	
(a) Description of investment type	(b) Book value		d of valuation
(a) Description of investment type	(b) Book value		-year market value
		Cost of end-of	-year market value
	+		
	1		
	+		
			
Total. (Column (b) must equal Form 990, Part X, col (B) line 13)	.]		
Total (column (2) made equal to m 350, t are in 60 (2) mile 15)			
Part IX Other Assets. See Form 990, Part X, lii			
(a) Descrip	otion		(b) Book value
(1) DUE TO/FROM ALLOCATIONS-INTERCOMPANY			6,809,620
(1) BOL TO /THO THILLS OF THE INTERCOTTOR			0,000,020
Total. (Column (b) must equal Form 990, Part X, col.(B) line 15	;_)		6,809,620
			0,009,020
Part X Other Liabilities. See Form 990, Part X			
1 (a) Description of liability	(b) Book value		
Federal income taxes	0		
AMOUNTS DUE TO THIRD PARTY PAYORS	1,628,709		
INTERCOMPANY PAYABLES	339,001		
	l l		
Total (Column (h) result result for 2000 Post V 1/201 1 251			
Total. (Column (b) must equal Form 990, Part X, col (B) line 25) 2. Fin 48 (ASC 740) Footnote In Part XIII, provide the tex	1,967,710		

art	XI Reconciliation of Revenue per Audited Financial State	men	ts With Revenue	per Re	eturn
	Total revenue, gains, and other support per audited financial statements .			1	
	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		1	
c	Recoveries of prior year grants	2c		1	
d	Other (Describe in Part XIII)	2d		1	
e	Add lines 2a through 2d			2e	
	Subtract line 2e from line 1			3	
	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		1	
c	Add lines 4a and 4b			4c	
	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 1	.2)		5	
art	XII Reconciliation of Expenses per Audited Financial Stat	eme	nts With Expense	s per	Return
	Total expenses and losses per audited financial statements			1	
	Amounts included on line 1 but not on Form 990, Part IX, line 25				
а	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
С	Other losses	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines 2a through 2d			2e	
	Subtract line 2e from line 1			3	
	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	
	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line	18)		5	
art	XIII Supplemental Information				1

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
Intended uses of endowment funds	Schedule D, Part V, Line 4	ENDOWMENT FUNDS ARE INTENDED TO HELP WITH THE ORGANIZATIONAL OPERATIONS OF MERCY HEALTH CARE FOUNDATION AND ALEGENT HEALTH MERCY HOSPITAL, CORNING, IA
FIN 48 (ASC 740) footnote	Schedule D, Part X, Line 2	ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IA'S FINANCIAL INFORMATION IS INCLUDED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION CHI'S FIN 48 (ASC 740) FOOTNOTE FOR THE YEAR ENDED JUNE 30, 2013 READS AS FOLLOWS "CHI IS A TAX-EXEMPT COLORADO CORPORATION AND HAS BEEN GRANTED AN EXEMPTION FROM FEDERAL INCOME TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE CHI OWNS CERTAIN TAXABLE SUBSIDIARIES AND ENGAGES IN CERTAIN ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE AND THEREFORE SUBJECT TO INCOME TAX MANAGEMENT REVIEWS ITS TAX POSITIONS ANNUALLY AND HAS DETERMINED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS"

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

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

Hospitals

Name of the organization
ALEGENT HEALTH-MERCY HOSPITAL CORNING IA

Employer identification number

42-0782518

Pa	rt I Financial Assi	stance an	d Certain	Other Community	Benefits at Cost				
								Yes	No
1a	Did the organization have	a financial as	ssistance pol	licy during the tax year?	' If "No," skıp to questı	on 6a	1a	Yes	
b	If "Yes," was it a written policy?							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 base organization's patients du			nce eligibility criteria th	at applied to the larges	t number of the			
а	Did the organization use f If "Yes," indicate which o					providing <i>free</i> care?	За		No
	┌ 100% ┌ 150% ┌	200% ┌ 0	ther		%				
b	Did the organization use f which of the following was				_	•	3b		No
	□ 200% □ 250% □	300%	50% Г 400	0%					
c	If the organization used for criteria for determining el used an asset test or othe discounted care	igibility for fre	ee or discoun	ted care Include in the	description whether the	e organization			
4	Did the organization's fina						_		
5a	provide for free or discour Did the organization budg the tax year?		or free or disc				_4	Yes	
h	If "Yes," did the organiza			expenses exceed the h	udgeted amount?		5a	Yes	
	If "Yes" to line 5b, as a re						5b	Yes	
	care to a patient who was						5с		No
6a	Did the organization prep	are a commur	nity benefit re	eport during the tax year	r?		6a	Yes	
b	If "Yes," did the organiza	tion make it a	vailable to th	ne public?			6b	Yes	
	Complete the following ta worksheets with the Sche	_	worksheets p	provided in the Schedule	e H instructions Do not	t submit these			
7				munity Benefits at Co	st				
	ancial Assistance and Means-Tested overnment Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community ben expense		(f) Perce otal exp	
a	Financial Assistance at cost (from Worksheet 1)		685	285,759		285,	759	1.6	60 %
b	Medicaid (from Worksheet 3, column a)		3,092	1,248,817	1,305,183	-56,		10	0 %
С	Costs of other means-tested government programs (from Worksheet 3, column b)			11,579	16,016	-4,	437		0 %
d	Total Financial Assistance and Means-Tested Government Programs .	0	3,777	1,546,155	1,321,199	224,	956	1 6	60 %
	Other Benefits					,	\top		
е	Community health Improvement services and community benefit operations							0.6	90 %
f	(from Worksheet 4) Health professions education		407	122,232	3,806	118,		0.0	
g	(from Worksheet 5) Subsidized health services		34	525			525	- e	0 %
h	(from Worksheet 6) Research (from Worksheet 7)			1,065,523 4,058	746,655	318, 4.	868 058		40 % 20 %
1	Cash and in-kind contributions for community		10						
1	benefit (from Worksheet 8) Total. Other Benefits	0	18 459	24,827 1,217,165	750,464	24, 466,	824 701		40 % 90 %
k	Total. Add lines 7d and 7j .	0	4,236	2,763,320	2,071,663	691,	-		50 %

Pa	community Buildir activities during the of the communities i	tax year, an									
		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Dir	ect off evenue	-	(e) Net communit building expense		(f) Pero total ex	
1	Physical improvements and housing								0		0 %
2	Economic development								0		0 %
3	Community support			3,325				3,	,325	0	020 %
4	Environmental improvements								0		0 %
5	Leadership development and training										
6	for community members Coalition building		1	5,514				5.	.514	0	0 %
7	Community health improvement advocacy			,							0.0/
8	Workforce development								0		0 %
9	Other								0		0 %
10	Total Pad Dobt Modicar	o & Callace	tion Droctic	8,839			0	8,	,839	0	040 %
	t IIII Bad Debt, Medicar ion A. Bad Debt Expense	e, & Collec	tion Practic	es						Yes	No
1	Did the organization report bac	d debt expense	e in accordance	e with Heathcare Fina	incial Ma	anage	ment As	ssociation		\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	
2	Statement No 15? Enter the amount of the organi	zation's bad di	 eht exnense F	volain in Part VI the		•	 I		1	Yes	
_	methodology used by the organ		•	-		2		447,713			
3	Enter the estimated amount of										
	patients eligible under the orgather the methodology used by the c	rganization to	estimate this	amount and the ration							
	any, for including this portion o				٠ ٠ [3		10,531			
4	Provide in Part VI the text of t or the page number on which the		-				ribes ba	id debt expense			
Sect	ion B. Medicare										
5	Enter total revenue received fr	om Medicare ((ıncludıng DSH	and IME)		5		6,519,480			
6	Enter Medicare allowable cost					6		9,092,977			
7 8	Subtract line 6 from line 5 Thi Describe in Part VI the extent Also describe in Part VI the co Check the box that describes	to which any sosting method the method us	shortfall report ology or source ed	ed in line 7 should be e used to determine t							
	Cost accounting system	F c∘	st to charge ra	tio Γ	Other						
Sect	ion C. Collection Practices										
9a b	Did the organization have a wr If "Yes," did the organization's contain provisions on the colle assistance? Describe in Part \	collection pol ection practice	icy that applie s to be followe	d to the largest numb d for patients who are	er of its	patie to qua	alify for t	financial	9a 9b	Yes	
Pa	rt IV Management Comp	anies and J	oint Ventur	es (owned 10% or more by o	fficers, direc	ctors, tr	ustees, key	employees, and physici			
	(a) Name of entity	(b	Description of pi activity of entit		c) Organiza rofit % or ownershij	stock	eı) Officers, directors, trustees, or key mployees' profit % stock ownership %	pro	e) Physic ofit % or ownershi	stock
1											
2											
3											
4											
5											
6									+		
7									+		
8									-		
9									-		
10									+		
11									+		
12											
									\bot		

Part V	Facility Information										
Section	n A. Hospital Facilities	Licensed	General	Children's	Teaching	Ortic	Research	ER-2	ER-other		
smallest How ma	order of size from largest to t—see instructions) iny hospital facilities did the ation operate during the tax year? ———	ised hospital	ral medical & surgical	ren's hospital	hing hospital	Critical access hospital	arch facility	ER-24 hours	ther		
Name, a	address, and primary website address		2							Other (Describe)	Facility reporting group
1	ALEGENT HEALTH MERCY HOSPITAL CORNING 603 ROSARY DRIVE CORNING,IA 50841	x				х		х			
-											

Schedule H (Form 990) 2012

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)

ALEGENT HEALTH MERCY HOSPITAL CORNING

Name of	hospita	facility	or facility	/ reporting	arour
---------	---------	----------	-------------	-------------	-------

For	single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)	_		
			Yes	No
Con	munity Health Needs Assessment (Lines 1 through 8c are optional for tax years begining 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	١.	V	
	health needs assessment (CHNA)? If "No," skip to line 9	┷	Yes	\vdash
	A definition of the community served by the hospital facility			
а Ь	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 3	Indicate the tax year the hospital facility last conducted a CHNA 20 12 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		No
5	Did the hospital facility make its CHNA report widely available to the public?	5	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
а	▼ 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			
a	to date) Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
ь	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			
	Inclusion of a community benefit section in operational plans			
	Adoption of a budget for provision of services that address the needs identified in the CHNA			
	Prioritization of health needs in its community			
_	Prioritization of services that the hospital facility will undertake to meet health needs in its community			
	Other (describe in Part VI)			
	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	ــــــ	Νo
	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
	hospital facilities? \$			

Pá	art V Facility Information (continued)			
	ancial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that			
	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	10		Νo
	If "Yes," indicate the FPG family income limit for eligibility for free care%			
11	If "No," explain in Part VI the criteria the hospital facility used			N.
-11	Used FPG to determine eligibility for providing <i>discounted</i> care?	11		No
	If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	12	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
а	▼ Income level			
b	▼ Asset level			
c	Medical indigency			
d	Insurance status			
е	▼ Uninsured discount			
f	Medicaid/Medicare			
g	State regulation			
h	Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	13	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	14	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
а	The policy was posted on the hospital facility's website			
b	The policy was attached to billing invoices			
С	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			
е	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)			
	ling and Collections	1		
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		100	
	the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
а	Reporting to credit agency			
b	Lawsuits			
С	Liens on residences			
d	Body attachments			
е	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			
а	Reporting to credit agency			
b	Lawsuits			
C	Liens on residences			
d	Body attachments			
_	C Other similar actions (describe in Part VI)	I	l I	1

chedule H	(Form 990)	2012

Page

Pa	art 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)			
а	Notified individuals of the financial assistance policy on admission			
b	Notified individuals of the financial assistance policy prior to discharge			
С	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)			
Po	olicy 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?	10	Yes	
	If "No," indicate why	1	1 03	
а				
b				
_				
С				
d	, and the same and			
	arges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)			1
20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-			
а	eligible individuals for emergency or other medically necessary care 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			
	Other (describe in Part VI)			
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided			
	emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	21		l _{No}
	If "Yes," explain in Part VI			1,40
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any			
	service provided to that individual?	22		Νo
	If "Yes," explain in Part VI			

Part V Facility Information (continued)

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

Hov	many non-hospital health care facilities did the orga	nızatıon operate durıng the tax year?	
	4		
Nan	ne and address	Type of Facility (describe)	
1	AH CORNING RURAL HEALTH CLINIC 601 ROSARY DRIVE CORNING, IA 50841	RURAL HEALTH CLINIC	
2	AH BEDFORD RURAL HEALTH CLINIC 618 COURT AVE BEDFORD,IA 50833	RURAL HEALTH CLINIC	
3	AH LENOX RURAL HEALTH CLINIC 810 1/2 E VAN BUREN ST LENOX,IA 50851	RURAL HEALTH CLINIC	
4	AH MERCY HOSP SKILLED NURSING FACILITY 603 ROSARY DRIVE CORNING, IA 50841	SKILLED NURSING FACILITY	
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
- **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.)
- **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
- 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 1], 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Eligibility criteria for free or discounted care	Schedule H, Part I, Line 3c	WHEN CATHOLIC HEALTH INITIATIVES (THE ULTIMATE PARENT ORGANIZATION TO ALEGENT HEALTH-MERCY HOSPITAL) ESTABLISHED ITS FINANCIAL ASSISTANCE POLICY IT WAS DETERMINED THAT ESTABLISHING A HOUSEHOLD INCOME SCALE BASED ON THE HUD VERY LOW INCOME GUIDELINES MORE ACCURATELY REFLECTS THE SOCIOECONOMIC DISPERSIONS AMONG URBAN AND RURAL COMMUNITIES IN 17 STATES SERVED BY CHI HOSPITALS AND HEALTH CARE FACILITIES IN COMPARING HUD GUIDELINES TO THE FEDERAL POVERTY GUIDELINES ("FPG"), WE FIND THAT ON AVERAGE HUD GUIDELINES ("FPG"), WE FIND THAT ON AVERAGE HUD GUIDELINES COMPUTE TO APPROXIMATELY 200% TO 250% (AND SOMETIMES 300%) OF FPG ALEGENT HEALTH-MERCY HOSPITAL BASES ITS FINANCIAL ASSISTANCE ELIGIBILITY ON HUD'S 130% OF VERY LOW INCOME GUIDELINES BASED ON GEOGRAPHY, AND AFFORDS THE UNINSURED AND UNDERINSURED THE ABILITY TO OBTAIN FINANCIAL ASSISTANCE WRITE-OFFS, BASED ON A SLIDING SCALE, RANGING FROM 25%-100% OF CHARGES AN INDIVIDUAL'S INCOME UNDER THE HUD GUIDELINES IS A SIGNIFICANT FACTOR IN DETERMINING ELIGIBILITY FOR FINANCIAL ASSISTANCE HOWEVER, IN DETERMINING WHETHER TO EXTEND DISCOUNTED OR FREE CARE TO A PATIENT, THE PATIENT'S ASSETS MAY ALSO BE TAKEN INTO CONSIDERATION FOR EXAMPLE, A PATIENT SUFFERING A CATASTROPHIC ILLNESS MAY HAVE A REASONABLE LEVEL OF INCOME, BUT A LOW LEVEL OF LIQUID ASSETS SUCH THAT THE PAYMENT OF MEDICAL BILLS WOULD BE SERIOUSLY DETRIMENTAL TO THE PATIENT'S BASIC FINANCIAL (AND ULTIMATELY PHYSICAL) WELL-BEING AND SURVIVAL SUCH A PATIENT MAY BE EXTENDED DISCOUNTED OR FREE CARE BASED UPON THE FACTS AND CIRCUMSTANCES
Community benefit report prepared by related organization	Schedule H, Part I, Line 6a	ALEGENT CREIGHTON HEALTH

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT REPORT AVAILABLE TO PUBLIC	SCHEDULE H, PART 1, LINE 6A	THE ALEGENT CREIGHTON HEALTH SYSTEM PRODUCES AN ANNUAL PUBLIC COMMUNITY BENEFIT REPORT THAT IS MAILED TO A CORE CONSTITUENCY, PLACED IN KEY PLACES THROUGHOUT THE ORGANIZATION AND DISTRIBUTED IN COMMUNITY MEETINGS IT IS ALSO AVAILABLE ON THE COMPANY'S INTRANET SITE, AND ON ITS PUBLIC WEBSITE AT TTP //WWW ALEGENTCREIGHTON COM/ COMMUNITY-BENEFIT
Costing Methodology used to calculate financial assistance	Schedule H, Part I, Line 7	THE COSTING METHODOLOGY USED TO CALCULATE THE AMOUNTS REPORTED IN THE TABLE WERE WORKSHEETS 1-8 PROVIDED WITH THE SCHEDULE H INSTRUCTIONS THE COST TO CHARGE RATIO DERIVED FROM WORKSHEET 2 WAS USED TO CALCULATE TOTAL COMMUNITY BENEFIT EXPENSE FOR CHARITY CARE, MEDICAID AND OTHER MEANS TESTED

Identifier	ReturnReference	Explanation
Bad Debt Expense excluded from financial assistance calculation	Schedule H, Part I, Line 7, column(f)	806,399
Subsidized Health Services	Schedule II, Part I, Lille / g	ALEGENT CREIGHTON HEALTH MERCY HOSPITAL, CORNING, IA (42-0782518), PROVIDES SUBSIDIZED HEALTH SERVICES TO THE BROADER COMMUNITY THROUGH ITS RURAL HEALTH CLINIC THE AMOUNT INCLUDED AS SUBSIDIZED SERVICES IS \$318,868

Identifier	ReturnReference	Explanation
Community Building Activities	Schedule H, Part II	ALEGENT CREIGHTON HEALTH HAS A HISTORY OF CENTRALIZED COMMUNITY BENEFIT INVESTMENTS, AS
		WELL AS HOSPITAL SPECIFIC INVESTMENTS THAT
		ADDRESS COMMUNITY HEALTH NEEDS WHICH INCLUDE COMMUNITY BUILDING SUCH AS -LIVE WELL OMAHA
		KIDS- AS A RESULT OF COMMUNITY HEALTH NEEDS
		ASSESSMENT CONDUCTED IN 2006 WHICH POINTED TO
		CHILDHOOD OBESITY AS A SERIOUS HEALTH NEEDS ISSUE ACROSS ALL OMAHA MSA COUNTIES SERVED, THE
		ALEGENT CREIGHTON HEALTH SYSTEM PARTNERED WITH
		THE COMMUNITY TO MAKE A MULTI-YEAR COMMITMENT
		TO IMPACT CHILDHOOD OBESITY THROUGH COMMUNITY
		BASED BEST PRACTICE INTERVENTIONS THIS INITIATIVE HAS HAD A PRIMARY FOCUS OF IMPACT IN
		DOUGLAS COUNTY, BUT THE FUNDING TO UNDERWRITE
		HAS COME FROM THE FISCAL PERFORMANCE OF ALL
		ALEGENT CREIGHTON HEALTH HOSPITALS THE COMMUNITY COALITION KNOWN AS LIVE WELL OMAHA
		KIDS (LWOK) IS STAFFED AND FUNDED BY ALEGENT
		CREIGHTON HEALTH AN EXECUTIVE COMMITTEE
		CONSISTING OF COMMUNITY LEADERS AND POLICY
		MAKERS HAVE DIRECTED AN ECOLOGICAL APPROACH TO IMPROVE PROGRAMS, POLICIES AND THE BUILT
		ENVIRONMENT TO PROMOTE PHYSICAL ACTIVITY AND
		HEALTHY EATING AND BUILD CAPACITY FOR HEALTHY
		CHOICES AT THE INDIVIDUAL AND ORGANIZATIONAL
		LEVEL MORE THAN 200 VOLUNTEERS AND 90 ORGANIZATIONS HAVE PARTICIPATED IN THE PLANNING
		AND IMPLEMENTATION OF LWOK INITIATIVES A
		PORTION OF THIS INVESTMENT IN LWOK IS ALLOCATED
		TO CORNING HOSPITAL ON A NET SERVICE REVENUE
		BASIS -COMMUNITY AND ECONOMIC DEVELOPMENT INCLUDING SUPPORT OF LOCAL CHAMBERS OF
		COMMERCE -STRATEGIC PLANNING AND CONSULTING
		SERVICES FOR COMMUNITY -SPONSORSHIP OF
		COMMUNITY NOT FOR PROFITS AND FUNDRAISING EVENTS -SUPPORT OF INTERNATIONAL HEALTH
		MINISTRIES IN TANZANIA AND DOMINICAN REPUBLIC -
		SUPPORT OF THE FEDERALLY QUALIFIED HEALTHCARE
		CENTERS -PARISH NURSING PROGRAM -COMMUNITY
		HEALTH FAIRS, SUPPORT GROUPS AND COMMUNITY EDUCATION -SCHOOL BASED HEALTHCARE SERVICES -
		LEADERSHIP IN AND FUNDING OF HEALTH COALITIONS
		CORNING HOSPITAL LEADERSHIP PARTICIPATES IN
		COMMUNITY TOBACCO AND ECONOMIC DEVELOPMENT COALITIONS THROUGH A CONTRACT WITH THE STATE.
		ALEGENT CREIGHTON HEALTH AND FAMILY HOME CARE
		SERVE AS THE LOCAL HEALTH DEPARTMENT FOR ADAMS
		COUNTY, IOWA THE HOSPITAL ALSO PROMOTES
		COMMUNITY BUILDING AND PHYSICAL ACTIVITY THROUGH ITS WELLNESS CENTER AND FUNDING OF
		ENHANCEMENTS TO THE LOCAL SWIMMING POOL
		CORNING HOSPITAL'S LEADERSHIP SERVES ON ADAMS
		COUNTY ECONOMIC DEVELOPMENT BOARD AND THE HOSPITAL MAKES CONTRIBUTIONS TO ECONOMIC
		DEVELOPMENT THAT ENHANCES THE HEALTH OF THE
		COMMUNITY CORNING HOSPITAL PROVIDES
		ADMINISTRATIVE SUPPORT FOR A COMMUNITY DAYCARE
		BY MAINTAINING THE FINANCIAL RECORDS FOR THE DAYCARE
Bad debt expense - methodology	Schedule H, Part III, Line 2	COSTING METHODOLOGY FOR AMOUNTS REPORTED ON
used to estimate amount	Schedule II, Pait III, Liffe 2	LINE 2 IS DETERMINED USING THE ORGANIZATION'S
		COST/CHARGE RATIO OF 55 52% WHEN DISCOUNTS ARE
		EXTENDED TO SELF-PAY PATIENTS, THESE PATIENT ACCOUNT DISCOUNTS ARE RECORDED AS A REDUCTION
		IN REVENUE, NOT AS BAD DEBT EXPENSE
	ı	1

Identifier	ReturnReference	Explanation
Bad debt expense - methodology used to estimate amount as community benefit	Schedule H, Part III, Line 3	ALEGENT HEALTH-MERCY HOSPITAL DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SINCE AMOUNTS DUE FROM THOSE INDIVIDUALS' ACCOUNTS WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS FOLLOWING THE DATE THAT THE PATIENT IS DETERMINED TO QUALIFY FOR CHARITY CARE
Bad debt expense - financial statement footnote	Schedule H, Part III, Line 4	ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IA DOES NOT ISSUE SEPARATE COMPANY AUDITED FINANCIAL STATEMENTS HOWEVER, THE ORGANIZATION IS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF CATHOLIC HEALTH INITIATIVES THE CONSOLIDATED FOOTNOTE READS AS FOLLOWS "THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS, TAKING INTO CONSIDERATION HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS MANAGEMENT ROUTINELY ASSESSES THE ADEQUACY OF THE ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THESE REVIEWS ARE USED TO MODIFY, AS NECESSARY, THE PROVISION FOR BAD DEBTS AND TO ESTABLISH APPROPRIATE ALLO WANCES FOR UNCOLLECTIBLE NET PATIENT ACCOUNTS RECEIVABLE AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, CHI FOLLOWS ESTABLISHED GUIDELINES FOR PLACING CERTAIN PATIENT BALANCES WITH COLLECTION AGENCIES, SUBJECT TO THE TERMS OF CERTAIN RESTRICTIONS ON COLLECTION EFFORTS AS DETERMINED BY EACH FACILITY IN ACCORDANCE WITH ACCOUNTING STANDARDS UPDATE (ASU) NO 2011-07, PRESENTATION AND DISCLOSURE OF PATIENT SERVICES REVENUE, PROVISION FOR BAD DEBTS, AND ALLO WANCES FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH ENTITIES, THE PROVISION FOR BAD DEBTS IS PRESENTED ON THE CONSOLIDATED STATEMENT OF OPERATIONS AS A DEDUCTION FROM PATIENT SERVICES REVENUES (NET OF CONTRACTUAL ALLO WANCES AND DISCOUNTS) SINCE CHI ACCEPTS AND TREATS ALL PATIENTS WITHOUT REGARD TO THE ABILITY TO PAY"

Community benefit & methodology f	Or Schedule H, Part III, Line 8	THE ALEGENT CREIGHTON HEALTH SYSTEM AND
determining medicare costs	Deficación (1), i are 111, Eme o	CATHOLIC HEALTH INITIATIVES DOES NOT CONSIDER
		MEDICARE SHORTFALLS TO BE COMMUNITY BENEFIT PER
		THE RECOMMENDATION OF THE CATHOLIC HEALTH
		ASSOCIATION THE MEDICARE CHARGES REPORTED ON
		LINE 5 AND 6 ARE FROM MEDICARE COST REPORTS
		WHICH USE A COST TO CHARGE RATIO
Collection practices for patients	Schedule H, Part III, Line 9b	THE ALEGENT CREIGHTON HEALTH SYSTEM'S SELF PAY
eligible for financial assistance	Schedule 11, Fait III, Eine 96	BILLING AND BAD DEBT POLICY HAS A CLEARLY
_		DELINEATED PROCESS AND GUIDELINES FOR
		COLLECTIONS AGENCIES TO FOLLOW, INCLUDING
		EXPLICIT INSTRUCTIONS TO ADHERE TO THE SAME
		FINANCIAL ASSISTANCE GUIDELINES AS ALEGENT
		CREIGHTON HEALTH ALL OF CATHOLIC HEALTH
		INITIATIVES' HOSPITALS' CONTRACTS WITH THIRD
		PARTY COLLECTION AGENCIES INCLUDE THE FOLLOWING
		STANDARDS * NEITHER CHI HOSPITALS NOR THEIR
		COLLECTION AGENCIES WILL REQUEST BENCH OR
		ARREST WARRANTS AS A RESULT OF NON-PAYMENT, *
		NEITHER CHI HOSPITALS NOR THEIR COLLECTION
		AGENCIES WILL SEEK LIENS THAT WOULD REQUIRE THE
		SALE OR FORECLOSURE OF A PRIMARY RESIDENCE, AND
		* NO CATHOLIC HEALTH INITIATIVES' COLLECTION
		AGENCY MAY SEEK COURT ACTION WITHOUT HOSPITAL
		APPROVAL FINALLY, COLLECTION AGENCIES ARE
		TRAINED ON THE CATHOLIC HEALTH INITIATIVES
		MISSION, CORE VALUES AND STANDARD OF CONDUCT
		TO MAKE SURE ALL PATIENTS ARE TREATED WITH
		DIGNITY AND RESPECT

Explanation

ReturnReference

Identifier

Identifier	ReturnReference	Explanation
Identifier Community Served by Needs Assessment	Schedule H, Part V Section B, Line 3	Explanation (1) ALEGENT HEALTH MERCY HOSPITAL, CORNING - ALEGENT HEALTH MERCY HOSPITAL AND THE PUBLIC HEALTH AGENCIES OF BOTH ADAMS AND TAYLOR COUNTY COLLABORATED TO CONDUCT THE CHNA KATHY WEST, AN ALEGENT HEALTH HOME TEAM LEAD REPRESENTED ADAMS COUNTY PUBLIC HEALTH AND JOAN GALLAGHER, TAYLOR COUNTY PUBLIC HEALTH DIRECTOR REPRESENTED TAYLOR COUNTY PUBLIC HEALTH THE CHNA WAS CONDUCTED BY THOROUGH REVIEW OF DATA AND FOCUS GROUP MEETINGS THE FOCUS GROUPS INCLUDED THE FOLLOWING LEADERS REPRESENTING A BROAD VIEW OF THE COMMUNITY'S HEALTH NEEDS EMPOWERMENT BOARD MEMBERS-* DOUG BIRT- ADAMS COUNTY BOARD OF SUPERVISORS * KATHY WEST RN BSN - ADAMS COUNTY PUBLIC HEALTH/ALEGENT HEALTH AT HOME * KIM WILKINSON- MATURA (HUMAN SERVICES) * PATTY MORRIS- CORNING COMMUNITY SCHOOL PRINCIPAL * MYRNAR RUMMER- CORNING COMMUNITY FAITH REPRESENTATIVE * KATRINA FLEHARTY- MIDWEST OPPORTUNITIES (BUSINESS REPRESENTATIVE) * KYLE DASHER- CROSSROADS MENTAL HEALTH (CONSUMER REPRESENTATIVE) * CRYSTAL SCHAFER - PRESCOTT COMMUNITY SCHOOL EDUCATOR * LAURA COOPER- PRESCOTT COMMUNITY PARENT REPRESENTATIVE ADAMS COUNTY LOCAL EMERGENCY PLANNING COMMITTEE (LEPC) * DON WILLETT- CORNING FIRE DEPARTMENT * ALICIA REED- ALEGENT HEALTH MERCY HOSPITAL REPRESENTATIVE * BRENT SPURRIER - ADAMS COUNTY AMBULANCE SERVICE PARAMEDIC * CARL GOUDSON- ADAMS COUNTY BOARD OF HEALTH * DR STEPHEN GRUBA MD, ALEGENT HEALTH CLINIC * HARTFORD COOPER- NODAWAY, IOWA REPRESENTATIVE ADAMS COUNTY AND HEALTH HEALTH CLINIC * HARTFORD COOPER- NODAWAY, IOWA REPRESENTATIVE NOBCLALL REPRESENTATIVE * BRENT SPURRIER - ADAMS COUNTY AMBULANCE SERVICE PARAMEDIC * CARL GOODSON- ADAMS COUNTY BOARD OF HEALTH * DR STEPHEN GRUBA MD, ALEGENT HEALTH CLINIC * HARTFORD COOPER- NODAWAY, IOWA REPRESENTATIVE ADAMS COUNTY HOUSING MAYOR * PHILLICIA HANCOCK- ALEGENT HEALTH LININ BERGMAN * SARAH HYNNEK * CHRIS HEIME - PARENTS AS TEACHERS * KAREN BOSWELL- HOME CARE AIDE * OUNTY AMBULANCE SERVICE OF SHANDRA COUNTY PUBLIC HEALTH / PRESENTATIVE * OUNTY AND HEALTH OF THE ADAMS COUNTY PUBLIC HEALTH BY EVEL TO TH
Availability of Needs Assessment		(1) ALEGENT HEALTH MERCY HOSPITAL, CORNING - CHNA WAS ALSO POSTED ON THE RESPECTIVE HEALTH AGENCY'S WEBSITES AND WAS SHARED WITH PARTICIPATING INDIVIDUALS AND ORGANIZATIONS,

Identifier	ReturnReference	Explanation
Needs not addressed in Needs Assessment	Schedule H, Part V Section B, Line 7	(1) ALEGENT HEALTH MERCY HOSPITAL, CORNING - DUE TO AVAILABILITY OF DATA, EXISTING RESOURCES AND AN ABILITY TO MAKE AN IMPACT ON PRIORITY HEALTH ISSUES, TWO ISSUES WERE PRIORITIZED 1) REDUCE HYPERTENSION IN A GROUP OF MEN AND WOMEN, AGES 45-75, 2) INCREASE THE NUMBER OF MAMMOGRAMS BY 5% (BASELINE-865, 2006-2010) ADDITIONAL PRIORITIES WERE IDENTIFIED BY THE SERIOUSNESS OF THE ISSUE, AVAILABILITY OF COMMUNITY RESOURCES TO MEET THE NEEDS, AND NUMBER PERSONS AFFECTED ADDITIONAL PRIORITIES IDENTIFIED INCLUDE DIABETES, PREGNANCY AND BIRTH, SMOKING, BINGE DRINKING, MOTOR VEHICLE ACCIDENTS, STROKE, ASTHMA, SEXUALLY TRANSMITTED DISEASE, EDUCATIONAL ATTAINMENT, DISASTER PREPAREDNESS, AND TRANSPORTATION THESE WILL BE LED BY OTHER ENTITIES WHILE THE CHIP WORK FOCUSES ON DRIVING THE TWO PRIORITIZED ISSUES,
Used federal poverty guidelines (FPG) to determine eligibility	Schedule H, Part V Section B, Line 10	(1) ALEGENT HEALTH MERCY HOSPITAL, CORNING - US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) VERY LOW-INCOME GUIDELINES ARE USED,

Identifier	ReturnReference	Explanation
Used FPG to determine eligibility for providing discounted care criteria	11	(1) ALEGENT HEALTH MERCY HOSPITAL, CORNING - US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) VERY LOW-INCOME GUIDELINES ARE USED,
Other factors included in calculating amounts charges to patients	Schedule H, Part V Section B, Line 12h	(1) ALEGENT HEALTH MERCY HOSPITAL, CORNING - SIZE OF FAMILY IS ALSO USED IN THE CALCULATION ,

Identifier	ReturnReference	Explanation
Needs assessment	Schedule H, Part VI, Line 2	THE PROCESS TO DEVELOP ASSESSMENTS OF THE COMMUNITY HEALTH NEEDS (CHNA) IS COLLABORATIVE IN NATURE AND INVOLVES HEALTH DEPARTMENTS, EXISTING HEALTH COALITIONS, COMMUNITY MEMBERS AND HOSPITAL LEADERSHIP, AND IS SUPPORTED BY ALEGENT CREIGHTON HEALTH'S COMMUNITY BENEFIT AND HEALTHIER COMMUNITIES DEPARTMENT STAFF EACH ALEGENT CREIGHTON HEALTH HOSPITAL PARTICIPATES IN THE CHNA PROCESS FOR THE COUNTY IN WHICH THE FACILITY IS LOCATED AT LEAST EVERY 3 YEARS IN PARTNERSHIP WITH THE LOCAL HEALTH DEPARTMENTS THE ASSESSMENT VARIES IN EACH COMMUNITY BUT INCLUDES REVIEW OF PRIMARY DATA (SUCH AS SURVEYS, KEY INFORMANT INTERVIEWS, FOCUS GROUPS) AND SECONDARY DATA (SUCH AS COUNTY HEALTH RANKINGS, BRFRSS, YRBS, CENSUS DATA ETC) LEADERSHIP FROM ALEGENT CREIGHTON HEALTH PARTICIPATE IN MULTIPLE INTERNAL AND EXTERNAL VENUES TO GARNER COMMUNITY INPUT, PRIORITIZE COMMUNITY HEALTH NEEDS AND DEVELOP COMMUNITY HEALTH IMPROVEMENT PLANS THE CHNA REPORT FOR EACH COMMUNITY IS MADE AVAILABLE TO THE PUBLIC BY POSTING THE REPORT ON THE ALEGENT CREIGHTON HEALTH EXTERNAL WEBSITE AND BY MAKING IT AVAILABLE IN COMMUNITY VENUES THE CHNAS ARE INTEGRATED INTO THE GOVERNANCE AND PLANNING FOR ALEGENT CREIGHTON HEALTH ON TWO LEVELS-* REPORTING INTO THE COMMITTEE OF THE BOARD OF DIRECTORS CHARGED WITH HEALTH PLANNING OVERSIGHT* INTO THE ANNUAL STRATEGIC PLANNING AND BUDGETING PROCESSES OF ALEGENT CREIGHTON HEALTH ALEGENT HEALTH MERCY HOSPITAL IN CORNING, IA COLLABORATES WITH THE PUBLIC HEALTH AGENCIES OF BOTH ADAMS AND TAYLOR COUNTY TO CONDUCT THE CHNA AT LEAST EVERY THREE YEARS THE CHNA IS CONDUCTED BY THOROUGH REVIEW OF AVAILABLE DATA AND FOCUS GROUP MEETINGS THE HOSPITAL PLAYS A KEY ROLE IN THE ADAMS COUNTY PUBLIC HEALTH BY EMPLOYING STAFF THAT PROVIDE ALL OF THE COUNTY PUBLIC HEALTH SERVICES THROUGH A CONTRACTUAL ARRANGEMENT WITH THE COUNTY POBLIC HEALTH AGENCY TO PROVIDE NEEDED SERVICES THROUGH IN KIND ARRANGEMENT SAND CONTRACTUAL
Patient education of eligibility for assistance	Schedule H, Part VI, Line 3	THERE ARE SEVERAL FINANCIAL ASSISTANCE ACCESS POINTS THROUGHOUT A PATIENT'S CARE CYCLE BILLS CONTAIN FINANCIAL ASSISTANCE VERBIAGE, SIGNS ARE POSTED IN CLINICS AND HOSPITAL, AND THERE IS INFORMATION ON FINANCIAL ASSISTANCE POSTED AT REGISTRATION POINTS THROUGHOUT CLINICS AND HOSPITALS INFORMATION ON THE ALEGENT CREIGHTON HEALTH SYSTEM'S FINANCIAL ASSISTANCE POLICIES ARE LOCATED SEVERAL PLACES ON THE SYSTEM'S WEBSITEWWW ALEGENTCREIGHTON COM ALL EFFORTS ARE MADE TO ESTABLISH WHETHER PATIENTS ARE ELIGIBLE FOR FINANCIAL ASSISTANCE PRIOR TO SERVICE IF POSSIBLE, OTHERWISE AS SOON AS POSSIBLE FOLLOWING SERVICE ALEGENT CREIGHTON HEALTH REPRESENTATIVES HELP PATIENTS SEEK REIMBURSEMENT FROM LOCAL, STATE AND FEDERAL PROGRAMS AT NO CHARGE TO THE PATIENT AFTER THESE EFFORTS AND RESOURCES HAVE BEEN EXHAUSTED, PATIENTS ARE ASSISTED IN THE APPLICATION PROCESS FOR FINANCIAL ASSISTANCE CONSISTENT WITH ALEGENT CREIGHTON HEALTH'S FINANCIAL ASSISTANCE POLICY THE APPLICATION PROCESS FOR FINANCIAL ASSISTANCE CONSISTENT WITH ALEGENT CREIGHTON HEALTH'S FINANCIAL ASSISTANCE POLICY THE APPLICATION PROCESS FOR FINANCIAL ASSISTANCE CONDITION SUCH AS FEDERAL TAX RETURN, PAY STUB, NET WORTH AND/OR LIQUID ASSETS AND REASONABLE HOUSEHOLD OR BUSINESS EXPENSES FINANCIAL ASSISTANCE MAY STILL BE GRANTED IN CERTAIN CIRCUMSTANCES INVOLVING A CATASTROPHIC OCCURRENCE RESULTING IN MEDICAL BILLS GROSSLY EXCEEDING THE PATIENT'S RESPONSIBILITY WILL BE LIMITED TO 20% OF THE FAMILY'S GROSS ANNUAL INCOME

Identifier	ReturnReference	Explanation
Community information	Schedule H, Part VI, Line 4	ALEGENT HEALTH MERCY HOSPITAL, CORNING, IA
		SERVES ADAMS AND TAYLOR COUNTIES IN IOWA CORNING IS LOCATED IN THE ROLLING HILLS OF
		SOUTHWEST IOWA THERE IS AN ESTIMATED 2012 POPULATION OF 4,004 IN ADAMS COUNTY, A DECREASE
		OF OVER 2 9 PERCENT FROM 2010 TO DATE AND 6,305 IN
		TAYLOR COUNTY, A DECREASE OF 1 7 PERCENT FROM 2010 TO 2012 THERE ARE APPROXIMATELY 955 SQUARE
		MILES COMBINED CENSUS ESTIMATES SHOW THAT ADAMS (98 0%) AND TAYLOR COUNTIES (98 1%) RACIAL
		AND ETHNIC MÁKEUP IS PREDOMINANTLY WHITÉ
		ACCORDING TO THE COUNTY HEALTH RANKINGS, ADAMS COUNTY HEALTH RANKING IS 97TH OUT OF THE 99
		COUNTIES IN IOWA, AND TAYLOR COUNTY RANKS 41ST OUT OF 99 THE MEDIAN HOUSEHOLD INCOME IN ADAMS
		COUNTY IS \$42,062, AND IN TAYLOR COUNTY IS \$43,155
		COMPARED TO \$49,545 FOR THE STATE OF IOWA IN ADAMS COUNTY, THE CORNING SCHOOLS PROVIDE FREE
		OR REDUCED LUNCH TO 47 3% AND THE PRESCOTT SCHOOLS TO 71% OF THEIR STUDENTS THE NUMBER OF
		STUDENTS RECEIVING FREE OR REDUCED LUNCH IN
		TAYLOR COUNTY RANGES FROM 47 5% IN THE BEDFORD SCHOOL DISTRICT, 55 8% IN THE LENOX SCHOOL
		DISTRICT TO 78 9% IN THE CLEARFIELD SCHOOL DISTRICT OVER ONE-FIFTH OF THE POPULATION OF
		BOTH COUNTIES IS AGED 65 AND OLDER
Promotion of community health	Schedule H, Part VI, Line 5	ALEGENT CREIGHTON HEALTH HAS A HISTORY OF CENTRALIZED COMMUNITY BENEFIT AND HOSPITAL
		SPECIFIC COMMUNITY BENEFIT INVESTMENTS TO ADDRESS COMMUNITY HEALTH NEEDS OF THE
		PARTICULAR SERVICE AREA EXAMPLES OF HOW
		ALEGENT CREIGHTON HEALTH FURTHERS ITS EXEMPT PURPOSE BY PROMOTING THE HEALTH OF THE
		COMMUNITIES IT SERVES INCLUDE - FINANCIAL ASSISTANCE AND UNPAID COSTS OF MEDICAID -
		COMMUNITY HEALTH IMPROVEMENT SERVICES - COMMUNITY EDUCATION, CLASSES AND PROGRAMS
		(CHILDBIRTH, DIABETES, ONCOLOGY, PHYSICAL
		ACTIVITY, HEALTHY EATING AND COOKING, HEALTH CAREERS, CANCER, SPORTS MEDICINE ETC) - SUPPORT
		GROUPS (CANCER, BEREAVEMENT, YOUTH ÉTC) - COMMUNITY HEALTH FAIRS AND SCREENINGS -
		IMMUNIZATION CLINICS - PARISH NURSING PROGRAM
		AND FAITH COMMUNITY OUTREACH - SCHOOL BASED HEALTHCARE SERVICES - HEALTH PROFESSIONAL
		EDUCATION CLINICAL PRECEPTORSHIPS FOR HEALTHCARE PROFESSIONALS - SCHOLARSHIPS AND
		MENTORSHIPS - AFFILIATION WITH AND SUPPORT OF THE CREIGHTON UNIVERSITY SCHOOL OF MEDICIN -
		PHYSICIAN RESIDENCY AND FELLOWSHIP PROGRAMS
		TRAINING MORE THAN 200 RESIDENTS AND FELLOWS ANNUALLY - RESEARCH-PARTICIPATION IN THE
		MISSOURI VALLEY CANCER CONSORTIUM - FINANCIAL AND IN-KIND CONTRIBUTIONS - SUPPORT OF THE
		FEDERALLY QUALIFIED HEALTHCARE CENTERS (FQHC)
		AND HOPE MEDICAL COALITION WHICH PROVIDES ACCESS TO MEDICAL SERVICES SPECIFICALLY FOR THE
		UNDERSERVED - CORPORATE SPONSORSHIPS - TANZANIA AND DOMINICAN REPUBLIC HEALTH
		MINISTRIES - STAFF SERVICE ON HEALTH RELATED BOARD AND COALITIONS - FREE TRANSPORTATION FOR
		PEOPLE IN NEED FOLLOWING TREATMENT - SUBSIDIZED
		HEALTHCARE SERVICE INCLUDING BEHAVIORAL HEALTH, NICU, EMERGENCY CARE, HOME HEALTH AND HOSPICE -
		COMMUNITY BUILDING ACTIVITIES COMMUNITY AND ECONOMIC DEVELOPMENT INCLUDING SUPPORT OF
		LOCAL CHAMBERS OF COMMERCE - STRATEGIC
		PLANNING AND CONSULTING SERVICES FOR COMMUNITY - HEALTH COALITIONS - THE PRIMARY CARE PHYSICIAN
		CLINICS THAT ARE PART OF THE PARENT CORPORATION PROVIDE ACCESS TO CARE THROUGH THE SYSTEM'S
		FINANCIAL ASSISTANCE POLICY AND PARTICIPATE IN MEDICAL STUDENT PRECEPTORSHIPS THAT ADVANCE
		THE HEALTHCARE PROVIDER EDUCATION PROCESS -
		ALEGENT CREIGHTON HEALTH HAS OPEN MEDICAL STAFFS - ALEGENT CREIGHTON HEALTH IS ONE OF THREE
		HEALTH SYSTEMS THAT FUND THE OPERATIONS OF A COALITION THAT EXISTS TO PROVIDE ACCESS FOR THE
		PATIENTS OF THREE AREA FEDERALLY QUALIFIED
		HEALTHCARES TO SPECIALTY PHYSICIAN SERVICES AND HOSPITAL BASED DIAGNOSTICS AND TREATMENT -
		ALEGENT CREIGHTON HEALTH IS THE SOLE, COMPREHENSIVE MENTAL HEALTH PROVIDER IN THE
		OMAHA MSA AREA - ALEGENT CREIGHTON HEALTH IS A JOINT VENTURE PARTNER IN A NOT-FOR-PROFIT
		HOSPICE INPATIENT HOSPITAL AND PROVIDES THE
		MANAGEMENT SUPPORT CONTRACT - ALEGENT CREIGHTON HEALTH BUDGETS FOR AN EMERGENCY FUND
		AS A SUBSET OF OTHER COMMUNITY DONATIONS TO RESPOND TO CRISIS OR UNPLANNED FUNDING NEEDS OF
		A VITAL COMMUNITY SERVICE, WHICH HAS FIRST USED
		IN FY11 WITH THE ECONOMIC DOWNTURN PARTICULAR TO ALEGENT CREIGHTON HEALTH MERCY HOSPITAL,
		CORNING, IA, THE HOSPITAL PROVIDES STAFF LEADERSHIP, ADMINISTRATIVE SUPPORT AND
		FINANCIAL SUPPORT TO A NUMBER OF COMMUNITY
		HEALTH AND ECONOMIC DEVELOPMENT COALITION'S INCLUDING-ALEGENT HEALTH HOME CARE AND HOSPICE
		WHICH OPERATES AS THE LOCAL PUBLIC HEALTH DEPARTMENT, ADAMS COUNTY TOBACCO FREE
		COALITION, CORNING ECONOMIC DEVELOPMENT BOARD
		AND THE ADAMS COUNTY ECONOMIC DEVELOPMENT CORPORATION THE HOSPITAL FUNDS THE RENOVATION
		OF THE COMMUNITY SWIMMING POOL AND THE ALEGENT CREIGHTON HEALTH WELLNESS CENTER AND MANAGES
		THE ADAMS COUNTY RESCUE SQUAD THE HOSPITAL SEEKS COMMUNITY INPUT THROUGH ITS CRITICAL
		ASSESS HOSPITAL ADVISORY BOARD

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

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Schedule I

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

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

OMB No 1545-0047

DLN: 93493132028424

Open to Public Inspection

Department of the Treasury Internal Revenue Service

(Form 990)

Name of the organization ALEGENT HEALTH-MERCY HOSPITAL CORNING IA Employer identification number

42-0782518

Part I General Infor	mation on Grants	and Assistance				'	
 Does the organization mathematics the selection criteria use Describe in Part IV the organization 	ed to award the grants o	orassistance?					√ Yes
		Governments and received					"Yes" to
(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) ADAMS COMMUNITY ECONOMIC DEVELOPMENT PO BOX 102 CRESTON,IA 50801	42-1301169	501(C)(3)	6,000				GENERAL SUPPORT
2 Enter total number of sec3 Enter total number of oth		-					<u>1</u> 0
				0			

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

(a)Type of grant or assistance	(b) Number of recipients	(c) A mount of cash grant	(d) A mount of non-cash assistance	(e)Method of valuation (book FMV, appraisal, other)	, (f) Description of non-cash assistance
(1) ROSE ANN AUXILIARY SCHOLARSHIPS	3	600			
(2) CHARITY CARE	685		548,244		REDUCTION OR WRITE OFF OF PATIENT SERVICES

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

Procedures for monitoring use of grant funds ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IOWA RECOGNIZES THE RIGHT TO QUALITY HEALTHCARE REGARDLESS OF AGE, SEX, RACE, RELIGION, NATIONAL ORIGIN, OR ABILITY TO PAY BUSINESS OFFICE STAFF HELP PATIENTS SEEK LOCAL, STATE, AND FEDERAL REIMBURSEMENT AT NO CHARGE WHEN NO OTHER SOURCE OF PAYMENT IS AVAILABLE FINANCIAL ASSISTANCE IS PROVIDED TO PATIENTS WITH DEMONSTRATED INABILITY TO PAY FOR MEDICALLY NECESSARY SERVICES THESE FUNDS ARE DIRECTLY USED TO OFFSET THE PATIENTS ACCOUNTS RECEIVABLE SCHEDULE I, PART I, LINE 2 THE ORGANIZATION MAKES GRANTS TO OTHER 501(C)(3) ORGANIZATIONS AND THE FUNDS ARE ONLY PROVIDED FOR CHARITABLE PURPOSES	Identifier	Return Reference	Explanation
	_		REGARDLESS OF AGE, SEX, RACE, RELIGION, NATIONAL ORIGIN, OR ABILITY TO PAY BUSINESS OFFICE STAFF HELP PATIENTS SEEK LOCAL, STATE, AND FEDERAL REIMBURSEMENT AT NO CHARGE WHEN NO OTHER SOURCE OF PAYMENT IS AVAILABLE FINANCIAL ASSISTANCE IS PROVIDED TO PATIENTS WITH DEMONSTRATED INABILITY TO PAY FOR MEDICALLY NECESSARY SERVICES THESE FUNDS ARE DIRECTLY USED TO OFFSET THE PATIENTS ACCOUNTS RECEIVABLE SCHEDULE I, PART I, LINE 2 THE ORGANIZATION MAKES GRANTS TO OTHER

DLN: 93493132028424

OMB No 1545-0047

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.

Open to Public Inspection

Name of the organization **Employer identification number** ALEGENT HEALTH-MERCY HOSPITAL CORNING IA 42-0782518

Pa	rt I Questions Regarding Compensation				
				Yes	No
1a	Check the appropriate box(es) if the organization provided 990, Part VII, Section A, line 1a Complete Part III to p				
	First-class or charter travel	Housing allowance or residence for personal use			
	Travel for companions	Payments for business use of personal residence			
	Tax idemnification and gross-up payments	Health or social club dues or initiation fees			
	Discretionary spending account	Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organiz reimbursement or provision of all of the expenses describ		1b		
2	Did the organization require substantiation prior to reimb directors, trustees, and the CEO/Executive Director, reg		2		
3	Indicate which, if any, of the following the filing organization organization's CEO/Executive Director Check all that apused by a related organization to establish compensation	oply Do not check any boxes for methods			
	Compensation committee	Written employment contract			
	☐ Independent compensation consultant	Compensation survey or study			
	Form 990 of other organizations	Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part or a related organization	VII, Section A, line 1a with respect to the filing organization			
а	Receive a severance payment or change-of-control paym	nent?	4a	Yes	
b	Participate in, or receive payment from, a supplemental r	nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based	compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide	•			
	Only 501(c)(3) and 501(c)(4) organizations only must co	omplete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line compensation contingent on the revenues of	1a, did the organization pay or accrue any			
а	The organization?		5a		No
b	Any related organization?		5b		No
	If "Yes," to line 5a or 5b, describe in Part III				
6	For persons listed in Form 990, Part VII, Section A, line compensation contingent on the net earnings of	1a, did the organization pay or accrue any			
а	The organization?		6a	Yes	
b	Any related organization?		6b	Yes	
	If "Yes," to line 6a or 6b, describe in Part III				
7	For persons listed in Form 990, Part VII, Section A, line payments not described in lines 5 and 6? If "Yes," descr		7		No
8	Were any amounts reported in Form 990, Part VII, paid of	or accured pursuant to a contract that was			
	subject to the initial contract exception described in Reg				
	ın Part III		8		Νo
9	If "Yes" to line 8, did the organization also follow the rebisection 53 $4958-6(c)$?	uttable presumption procedure described in Regulations	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)(1)-(111) 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	(D) Nontaxable	(E) Total of	(F) Compensation
	(i) Base compensation	(ii) Bonus & ıncentıve compensatıon	(iii) Other reportable compensation	other deferred compensation	benefits	columns (B)(ı)-(D)	reported as deferred in prior Form 990
See Additional Data Table							

Schedule J (Form 990) 2012

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 addition	o complete this part for any additional information					
Identifier	Return Reference	Explanation				
GOVERNANCE OF EXECUTIVE COMPENSATION	SCHEDULE J, PART I, LINE 3	ACTING AS PRUDENT STEWARDS OF ITS FINANCIAL RESOURCES, THE ALEGENT CREIGHTON HEALTH BOARD COMPENSATION COMMITTEE RECOMMENDS AND THE BOARD EXECUTIVE COMMITTEE APPROVES EXECUTIVE COMPENSATION PHILOSOPHY, POLICY AND GUIDELINES IT DOES SO WITH THE OBJECTIVE OF ATTRACTING AND RETAINING TOP EXECUTIVE TALENT TO ENSURE ALEGENT CREIGHTON HEALTH IS ABLE TO FULFILL ITS FAITH-BASED MISSION AND ACHIEVE ITS VISION OF BECOMING WORLD-CLASS THE ALEGENT CREIGHTON HEALTH COMPENSATION COMMITTEE FOLLOWS A THOROUGH AND INTENTIONAL PROCESS THAT INCLUDES CONSULTATION WITH INDEPENDENT, EXPERT COUNSEL AND CAREFULLY COMPARES COMPENSATION LEVELS TO MARKET-BASED COMPENSATION OF SIMILAR SIZED, NON-PROFIT AND FOR-PROFIT HEALTH SYSTEMS AND ALSO UTILIZES A BLEND OF NON-PROFIT AND GENERAL INDUSTRY DATA FOR EXECUTIVE ROLES WHERE THE RECRUITING MARKET IS ARGUABLY BROADER THAN THE NON-PROFIT SECTOR TOTAL COMPENSATION INCLUDES BASE COMPENSATION, AND ALSO INCLUDES PERFORMANCE-BASED INCENTIVE COMPENSATION FOR ACHIEVING BOARD-SET GOALS FOR CLINICAL QUALITY, PATIENT SAFETY AND SATISFACTION, PHYSICIAN PERCEPTION, STRATEGIC AND FACILITY PLANNING AND FINANCIAL PERFORMANCE IT MAY ALSO INCLUDE OTHER CASH PAYMENTS SUCH AS ONE-TIME RELOCATION COSTS, AND/OR CASH PAYMENTS FOR DEFERRED COMPENSATION				
Severance or change-of-control payment	Schedule J, Part I, Line 4a	THE FOLLOWING REPORTABLE INDIVIDUALS RECEIVED SEVERANCE PAYMENTS AS EXECUTIVES OF ALEGENT CREIGHTON HEALTH DURING THE 2012 CALENDAR YEAR AND THESE SEVERANCE PAYMENTS WERE INCLUDED IN THE INDIVIDUAL'S W-2 INCOME AND REPORTABLE AS COMPENSATION ON SCHEDULE J RICHARD HACHTEN, II - \$444,672 SEVERANCE PAID TO RICHARD HACHTEN IN CALENDAR YEAR 2012 RELATES TO A CORRECTION MADE TO REPORT ADDITIONAL SEVERANCE OWED TO HIM FROM A PREVIOUS SEPARATION OF SERVICE THE ADDITIONAL SEVERANCE WAS REPORTED ON A CORRECTED W-2C AND APPLICABLE TAXES WERE SUBMITTED TO THE IRS				
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b	THE FOLLOWING REPORTABLE INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN FROM ALEGENT CREIGHTON HEALTH (A RELATED ORGANIZATION) DURING THE 2012 CALENDAR YEAR AMOUNTS DEFERRED FROM THE PLAN WERE INCLUDED COLUMN C OF THE SCHEDULE J RICHARD HACHTEN II - \$155,803 SCOTT WOOTEN - \$48,613 THE FOLLOWING REPORTABLE INDIVIDUALS RECEIVED A PAY OUT FROM PARTICIPATION IN A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN FROM ALEGENT CREIGHTON HEALTH (A RELATED ORGANIZATION) DURING THE 2012 CALENDAR YEAR AMOUNTS PAID OUT WERE INCLUDED IN THE INDIVIDUALS WAGES AND REPORTED IN COLUMN E OF THE SCHEDULE J RICHARD HACHTEN II - \$141,223 SCOTT WOOTEN - \$58,678				
Compensation contingent on net earnings of the organization	Schedule J, Part I, Line 6a	COMPENSATION FOR MEMBERS OF MANAGEMENT OF ALEGENT CREIGHTON HEALTH AND RELATED ENTITIES IS DETERMINED AT A SYSTEM LEVEL MEMBERS OF MANAGEMENT INCLUDE RICHARD HACHTEN II, SCOTT WOOTEN, DEBRA GOLDSMITH, DENISE MCNITT AND RODNEY TRIPLETT MEMBERS OF ALEGENT CREIGHTON HEALTH MANAGEMENT ARE ELIGIBLE FOR AN ANNUAL INCENTIVE BONUS INCENTIVE AWARDS ARE BASED ON FOUR INDIVIDUAL PERFORMANCE MEASURES WHICH ARE LINKED TO FOUR SYSTEM PERFORMANCE GOALS FOR EACH MANAGER, 75% OF THE INCENTIVE AWARD WILL BE DETERMINED BY SYSTEM PERFORMANCE GOALS AND 25% DETERMINED BY INDIVIDUAL PERFORMANCE MEASURES ONE OF THE FOUR SYSTEM PERFORMANCE GOALS IS DEPENDENT ON THE NET FINANCIAL RESULTS OF THE ENTIRE ALEGENT CREIGHTON HEALTH SYSTEM FOR THE FISCAL YEAR				
Compensation contingent on net earnings of a related organization	Schedule J, Part I, Line 6b	COMPENSATION FOR MEMBERS OF MANAGEMENT OF ALEGENT CREIGHTON HEALTH AND RELATED ENTITIES IS DETERMINED AT A SYSTEM LEVEL MEMBERS OF MANAGEMENT INCLUDE RICHARD HACHTEN II, SCOTT WOOTEN, DEBRA GOLDSMITH, DENISE MCNITT AND RODNEY TRIPLETT MEMBERS OF ALEGENT CREIGHTON HEALTH MANAGEMENT ARE ELIGIBLE FOR AN ANNUAL INCENTIVE BONUS INCENTIVE AWARDS ARE BASED ON FOUR INDIVIDUAL PERFORMANCE MEASURES WHICH ARE LINKED TO FOUR SYSTEM PERFORMANCE GOALS FOR EACH MANAGER, 75% OF THE INCENTIVE AWARD WILL BE DETERMINED BY SYSTEM PERFORMANCE GOALS AND 25% DETERMINED BY INDIVIDUAL PERFORMANCE MEASURES ONE OF THE FOUR SYSTEM PERFORMANCE GOALS IS DEPENDENT ON THE NET FINANCIAL RESULTS OF THE ENTIRE ALEGENT CREIGHTON HEALTH SYSTEM FOR THE FISCAL YEAR				
POTENTIAL SEVERANCE PAYMENTS	SCHEDULE J, PART II	THE ALEGENT CREIGHTON HEALTH EXECUTIVES HAVE A PROVISION IN THEIR COMPENSATION AGREEMENT THAT PROVIDES FOR POTENTIAL SEVERANCE PAYMENTS IN THE EVENT OF TERMINATION WITHOUT CAUSE OR CHANGE OF CONTROL THE AMOUNT OF SEVERANCE AN EXECUTIVE MAY OR MAY NOT RECEIVE IF TERMINATED ACCORDING TO THE COMPENSATION AGREEMENT IS INCLUDED AS DEFERRED COMPENSATION IN COLUMN C				

Software ID: 12000266

Software Version: v2012.1.0

EIN: 42-0782518

Name: ALEGENT HEALTH-MERCY HOSPITAL CORNING IA

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

(A) Name		(B) Breakdown of	(B) Breakdown of W-2 and/or 1099-MISC compensation		(C) Deferred	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation	compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
BETHEL KOPP MD	(1) (11)		0	20,370 0	16,968 0	12,331 0	425,011 0	0
D RANDALL PRITZA MD	(1) (11)		0	0 13,155	0 18,716	0 15,865	0 591,011	0
DEBRA GOLDSMITH	(1) (11)	94,957 0	26,886 0	12,762 0	13,901 0	22,471 0	170,977 0	0
DENISE MCNITT	(1) (11)		0 40,888	0 12,492	0 13,959	0 22,180	0 232,652	0
JOHN SAFRANEK MD	(1) (11)		0	0	0	0	182,768 0	0
JOSEPH PICCOLO	(1) (11)		0	15,651 0	10,987 0	19,674 0	205,913	0
MAEN HADDADIN MD	(1) (11)		0	28,453 0	15,000 0	25,542 0	673,715 0	0
RICHARD II HACHTEN	(1) (11)		0 653,989	0 686,241	0 2,978,035	0 16,269	0 5,190,446	0 585,895
RODNEY TRIPLETT	(1) (11)	0 133,764	0 37,021	0 11,618	0 17,944	0 25,915	0 226,262	0
SCOTT WOOTEN	(ı) (ıı)		0 265,839	0	0 1,570,941	0 20,055	0	0 58,678
STEPHEN GRUBA MD	(ı) (ıı)		0	11,170 0	20,911 0	11,135 0	301,325 0	0

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As Filed Data -

DLN: 93493132028424

OMB No 1545-0047

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Transactions with Interested Persons

► Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b. ► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Open to Public Inspection

Name of the orga ALEGENT HEALTH-ME	nization RCY HOSPITAL CORNII	ng ia						nploye		ication	number	•
	s Benefit Tran te if the organizati						ganıza	tions	only).	/ line 4	0.b	
	of disqualified pers	on (b) Rel	ationship l	between dis	qualified	(c) Descrip					d) Corre	ected?
			person and	lorganizatio	on					<u>'</u>	/es	No
? Enter the am	ount of tax incurre	d by organiza	ation mana	gere or dieg	uslified ners	one during the	Veari	ındar e	ection			
4958								•	> \$ -			
3 Enter the am	ount of tax, if any,	on line 2, abo	ove, reimbi	ursed by the	e organizatior	1		•	* \$ _			
	ns to and/or F				EZ Bart V I	ına 202 ar Ea	rm 00	0 Dar	+ T\/ lun	26 0	r if the	
	nization reported a					ille 30a, 01 F0		o, Pai		20,0	· II tile	
(a) Name of interested	(b) Relationship with organization		(d) Loan or from t		(e)O riginal principal	(f)Balance due		In ult?	(h) Appro		(i)Wri	
person			organızatı		amount				by boa	rd or		
			То	From			Yes	No	Yes	No	Yes	No
											_	
											_	
											_ _	
											_	
Total			▶ \$	'	•					•		
Part IIII Gran Comi	its or Assistan plete if the orgai	ce Benefit nization ans	ting Inte wered "Y	erested P es" on For	Persons. m 990. Par	t IV. line 27.						
(a) Name of inte	erested (b) Rel	atıonshıp bet	ween (c		fassistance	(d) Type of		tance	(e)	Purpos	e of assi	stance
person		ted person ar organization	nd the									
						-						
						- -						
						_						

Part Business Transactions	Involving Interested	d Persons.			
Complete if the organization	on answered "Yes" on I	Form 990, Part IV, lın	e 28a, 28b, or 28c.		
(a) Name of Interested person	(b) Relationship between interested person and the organization	(c) A mount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) MICHAEL GRUNDMAN-BOARD MEMBER	DAUGHTER IS AN EMPLOYEE	46,075	EMPLOYMENT		No

Part V **Supplemental Information**

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

Ident if ier	Return Reference	Explanation
		Schodula I /Form 000 or 000 F7\ 2012

Schedule L (Form 990 or 990-EZ) 2012

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As Filed Data -

DLN: 93493132028424

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.

2012
Open to Public Inspection

Name of the organization ALEGENT HEALTH-MERCY HOSPITAL CORNING IA	Employer identifi	cation number
	42-0782518	

ldentifier	Return Reference	Explanation
PAYMENTS TO VENDORS	FORM 990, PART V, LINE 1C	PAYMENTS TO VENDORS FOR ENTITIES THAT ARE PART OF THE ALEGENT CREIGHTON HEALTH SYSTEM ARE MADE BY ALEGENT CREIGHTON HEALTH, THEREFORE NO FORM 1099S ARE ISSUED BY ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IA ALEGENT CREIGHTON HEALTH FILES THE FORM 1099S AND COMPLIES WITH THE BACKUP WITHHOLDING RULES FOR REPORTABLE PAYMENTS TO VENDORS AND GAMING WINNINGS THE 1099S ISSUED BY ALEGENT CREIGHTON HEALTH ON BEHALF OF ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IA ARE REPORTED TO THE IRS

ldentifier	Return Reference	Explanation
EMLOYEES OF ALEGENT HEALTH- MERCY HOSPITAL, CORNING, IA	FORM 990, PART V, LINE 2A	THE EMPLOYEES LISTED IN PART I, LINE 5 AND PART V, LINE 2A ARE EMPLOYED BY ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IA HOWEVER, THROUGH A COMMON PAY AGENT AGREEMENT, THE EMPLOYEES ARE PAID BY ALEGENT CREIGHTON HEALTH AND PAYROLL EXPENSES ARE ALLOCATED TO ALEGENT ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IA

ldentifier	Return Reference	Explanation
Family/business relationships amongst interested persons	Form 990, Part VI, Section A, Line 2	STEPHEN GRUBA AND BETEL KOPP - FAMILY RELATIONSHIP

ldentifier	Return Reference	Explanation
		ALEGENT HEALTH-BERGAN MERCY HEALTH SYSTEM IS THE SOLE MEMBER OF ALEGENT HEALTH-MERCY HOSPITAL, CORNING, IOWA

ldentifier	Return Reference	Explanation
Members or stockholders electing members of governing body		ALEGENT HEALTH-BERGAN MERCY HEALTH SYSTEM APPOINTS INDIVIDUALS TO SERVE ON THE BOARD OF DIRECTORS THE BOARD, OR A NOMINATING COMMITTEE OF THE BOARD, PRESENT A SLATE OF NOMINEES AND THEIR CREDENTIALS TO THE MEMBER FOR APPROVAL ALEGENT HEALTH-BERGAN MERCY HEALTH SYSTEM MAY REJECT ANY NOMINEE OR APPOINT INDIVIDUALS DIRECTLY TO THE BOARD OF DIRECTORS, OR REQUEST ADDITIONAL NOMINEES BY GIVING WRITTEN NOTICE OF SUCH ACTIONS TO THE CHAIRMAN OF THE BOARD

ldentifier	Return Reference	Explanation
Decisions requiring approval by members or stockholders	Form 990, Part VI, Section A, Line 7b	THE POWERS, DUTIES AND RIGHTS RESERVED TO ALEGENT HEALTH-BERGAN MERCY HEALTH SYSTEM WILL BE, BUT ARE NOT LIMITED TO, THE FOLLOWING A TO AMEND, REVISE OR ALTER THE ARTICLES OF INCORPORATION OR THE BYLAWS, B TO APPOINT AND REMOVE, WITH OR WITHOUT CAUSE, MEMBERS OF THE BOARD OF DIRECTORS, C TO APPROVE ANY MERGER OR CONSOLIDATION INTO OR WITH ANY OTHER CORPORATION, ORGANIZATION OR ASSOCIATION, AND TO APPROVE THE DISSOLUTION OR OTHERWISE WRAPPING UP OF THE AFFAIRS, D TO APPROVE THE SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL, OF THE ASSETS, E TO APPROVE THE INCORPORATION OR DISSOLUTION OF AFFILIATED ENTITIES ORGANIZATIONS OR ASSOCIATIONS, AND F TO RECEIVE THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

ldentifier	Return Reference	Explanation
Review of form 990 by governing body		CHI NEBRASKA'S (THE ORGANIZATION'S CORPORATE MEMBER) CFO IS RESPONSIBLE FOR REVIEWING THE FINAL TAX RETURN PREPARED BY THE CHI TAX DEPARTMENT FOR ANY POTENTIAL ERRORS, OMISSIONS, OR CLARIFICATIONS NEEDED FOR PROPER PRESENTATION AFTER THE FINAL CHANGES ARE MADE TO THE FORM 990, THE RETURNS ARE POSTED TO A SECURED BOARD COLLABORATION SITE FOR REVIEW BY THE BOARD MEMBERS SUBSEQUENT TO DISTRIBUTION TO THE BOARD, THE TAX DEPARTMENT FILES THE RETURN WITH THE APPROPRIATE FEDERAL AND STATE AGENCIES, MAKING ANY NON-SUBSTANTIVE CHANGES NECESSARY TO EFFECT E-FILING ANY SUCH CHANGES ARE NOT RE-SUBMITTED TO THE BOARD

Identifier Return Reference	Explanation
Conflict of interest policy Form 990, Part VI, Section B, Line 12c	WRITTEN CONFLICT OF INTEREST POLICY - ALEGENT HEALTH MERCY HOSPITAL, CORNING, IOWA HAS ADOPTED THE CONFLICT OF INTEREST POLICY AND CONFLICT INVESTIGATION PROCESS OF ALEGENT CREIGHTON HEALTH ANNUAL COMPLETION OF THE DISCLOSURE STATEMENT IS REQUIRED BY THE BOARD OF DIRECTORS STATED DISCLOSURES ARE INVESTIGATED BY THE ALEGENT CREIGHTON HEALTH COMPLIANCE OFFICER AND REPORTED TO THE CONFLICTS OF INTEREST COMMITTEE. THE CONFLICTS OF INTEREST COMMITTEE REVIEWS THE INVESTIGATION AND MAKES RECOMMENDATIONS TO THE GOVERNANCE COMMITTEE. THE GOVERNANCE COMMITTEE MAKES THE FINAL DETERMINATION OF WHETHER OR NOT THERE IS A DISQUALIFYING EVENT AND COMMUNICATES IT TO THE ALEGENT HEALTH MERCY HOSPITAL, CORNING, IOWA BOARD OF DIRECTORS AT ANY TIME A BOARD MEMBER OR KEY EMPLOYEE MAY DECLARE A CONFLICT OF INTEREST AND RECUSE HIS/HERSELF FROM THE DISCUSSION. THE INDIVIDUAL IS ALSO REQUIRED TO DISCLOSE ANY KNOWN OR POSSIBLE CONFLICTS OF INTEREST THAT ARISE DURING THE CALENDAR YEAR.

ldentifier	Return Reference	Explanation
Process used to establish compensation of top management official		THE GOVERNING BOARD OF ALEGENT CREIGHTON HEALTH ENGAGED THE SERVICES OF AN INDEPENDENT CONSULTING FIRM THAT HOLDS ITSELF OUT TO THE PUBLIC AS A COMPENSATION CONSULTANT THAT IS QUALIFIED TO AND REGULARLY PERFORMS EXECUTIVE AND OFFICER COMPENSATION STUDIES THE CONSULTING FIRM CONDUCTED A REVIEW AND ANALYSIS OF THE TOTAL COMPENSATION PAID TO THE CEO AND OTHER OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION, BASED ON COMPARABLE COMPENSATION FOR SIMILARLY QUALIFIED PERSONS IN FUNCTIONALLY COMPARABLE POSITIONS AT SIMILARLY SITUATED ORGANIZATIONS AND DETERMINED THAT THE COMPENSATION WAS REASONABLE THE CONSULTING FIRM ISSUED AN OPINION LETTER TO ALEGENT CREIGHTON HEALTH AS TO THE REASONABLENESS OF THE TOTAL COMPENSATION PAID TO EMPLOYEES IDENTIFIED AS DISQUALIFIED PERSONS THE OPINION LETTER SETTING FORTH THE FINDINGS WAS REVIEWED AND APPROVED BY THE COMPENSATION COMMITTEE OF THE GOVERNING BOARD CONTEMPORANEOUS DOCUMENTATION AND RECORDKEEPING WITH RESPECT TO DELIBERATIONS AND DECISIONS REGARDING THE COMPENSATION ARRANGEMENTS WERE MAINTAINED THIS PROCESS WAS USED FOR THE SENIOR VICE PRESIDENT, CHEIF FINANCIAL OFFICER, PRESIDENT & CHEIF EXECUTIVE OFFICER

Identifier	Return Reference	Explanation
Process used to establish compensation of other officers/key employees	Form 990, Part VI, Section B, Line 15b	SEE DISCLOSURE FOR PART VI, 15A

ldentifier	Return Reference	Explanation
Governing documents, conflict of interest policy and financial statements available to the public		THE CONFLICT OF INTEREST POLICY IS MADE AVAILABLE TO THE PUBLIC ON THE WEBSITE AT WWW ALEGENTCREIGHTON COM ALEGENT HEALTH MEMORIAL HOSPITAL, CORNING, IOWA DOES NOT MAKE THE FINANCIAL STATEMENTS OR GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC HOWEVER, ARTICLES OF INCORPORATION ARE AVAILABLE AT WWW SOS STATE IA US

SCHEDULE R Related Ord

(Form 990)

Name of the organization

ALEGENT HEALTH-MERCY HOSPITAL CORNING IA

Related Organizations and Unrelated Partnerships

► Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.

2012

Employer identification number

42-0782518

DLN: 93493132028424

ZU IZ

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Attach to Form 990. See separate instructions.

(a) Name, address, and EIN (ıf applıcable) of dısregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity		
		,,			ŕ	_	
Part II Identification of Related Tax-Exempt Organization or more related tax-exempt organizations during the t	ions (Complete if tax year.)	the organization a	nswered "Yes"	' to Form 990, P	Part IV, line 34 becaus	e it had o	one
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code sect	non Public charity (if section 501)	status (f) Direct controllin (c)(3)) entity	Section (13)	(g) on 512(b controlled ntity?
See Additional Data Table						Yes	No
							+

	Primary activit	y Legal domicile (state or foreign country)	entity	Predominant income (related, unrelated, excluded from tax under sections 512-514)	Share of total income		Disproprial allocate		Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)		iging ner?	Percenta ownersh
							Yes	No		Yes	No	
							swere	d "Ye	s" to Form	990,	Part	IV,
(b) Primary activity	(c) Legal domicile (state or foreign country)		(d) Direct controlli entity			otal Share e of	of end- year			Section (b) (conti	n 512 13) olled	
								_		Yes		No
-								1				
												ı
								<u> </u>				
								1				
								1				
												.
	nore related organi	(b) (c) Primary activity Legal domicile (state or foreign	(b) (c) Primary activity Legal domicile (state or foreign	nore related organizations treated as a corporation or (b) (c) (d) (d) Direct controlli domicile (state or foreign	(b) Primary activity (c) Legal domicile (state or foreign) (d) (d) Direct controlling entity (C corp, S corp,	nore related organizations treated as a corporation or trust during the tax year (b) (c) (d) (e) (f) Primary activity Legal domicile (state or foreign entity (C corp, S corp,)	nore related organizations treated as a corporation or trust during the tax year.) (b) (c) (d) (e) (f) (f) (f) (f) (f) (f) (f) (f) (f) (f	nore related organizations treated as a corporation or trust during the tax year.) (b) (c) (d) (e) (f) Share of total of-year assets (C corp, S corp, (state or foreign)	rore related organizations treated as a corporation or trust during the tax year.) (b) (c) (d) (e) (f) (g) Share of total of entity (C corp, S income (state or foreign)) (c) (g) Share of end-of-year organizations treated as a corporation or trust during the tax year.)	nore related organizations treated as a corporation or trust during the tax year.) (b) (c) (d) (e) (f) (g) (h) Primary activity Legal domicile domicile (state or foreign (state or foreign)) (c) (d) (e) (f) (g) (h) Type of entity (C corp, S income of-year assets)	rore related organizations treated as a corporation or trust during the tax year.) (b) (c) (d) (e) (f) (g) (g) (h) (state or foreign country) (c) (t) (c) (d) (e) (f) (f) (g) (h) (f) (f) (f) (f) (f) (f) (f) (f) (f) (f	(b) (c) (d) (e) (f) (g) (h) (i) Primary activity Legal domicile of state or foreign (state or foreign) (d) (e) (f) Share of total of-year ownership (b)(13) (c) (c) (e) (f) (g) (h) (i) Share of end-of-year ownership ownership controlled)

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

Yes

$oldsymbol{1}$ During the tax year, did the organization engage in any of the following transactions with one or more in	related organizations li	sted in Parts II-IV?				
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity				1a		No
b Gift, grant, or capital contribution to related organization(s)				1 b		No
c Gift, grant, or capital contribution from related organization(s)				1 c	Yes	
d Loans or loan guarantees to or for related organization(s)				1d		No
e Loans or loan guarantees by related organization(s)				1e		No
f Dividends from related organization(s)				1f		No
g Sale of assets to related organization(s)				1g		No
h Purchase of assets from related organization(s)				1h		No
i Exchange of assets with related organization(s)				1i		No
j Lease of facilities, equipment, or other assets to related organization(s)				1j		No
k Lease of facilities, equipment, or other assets from related organization(s)				1k		No
Performance of services or membership or fundraising solicitations for related organization(s)				11	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)				1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)				1n		No
• Sharing of paid employees with related organization(s)				10		No
p Reimbursement paid to related organization(s) for expenses				1p	Yes	
Reimbursement paid by related organization(s) for expenses				1q		No
r Other transfer of cash or property to related organization(s)				1r		No
s Other transfer of cash or property from related organization(s)				1s		No
2 If the answer to any of the above is "Yes," see the instructions for information on who must complet	e this line, including co	vered relationships	and transaction thresholds			
(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amo	ount ir	nvolved	
1) MERCY HEALTH CARE FOUNDATION	c	775,725	BOOK VALUE			

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

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

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross)

revenue) that was not a related organization See instructions re	garding exclu	sion for ce		nent	partnerships				`	,		_	
(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512- 514)	org	(e) all partners section 501(c)(3) anizations?	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtiona allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
			514)	Yes	No			Yes	No		Yes	No	
												1	

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Software ID: 12000266 **Software Version:** v2012.1.0 **EIN:** 42-0782518

Name: ALEGENT HEALTH-MERCY HOSPITAL CORNING IA

Schedule R (Form 990) 2012

Part VII Supplemental Information

	ental Informations part to provide a		oformation for	responses to gu	uestions on Schedule	R (see instructions)					
Identifier	15 pare to provide		Reference	esponses to que		Explanation					
Form 990, Schedule R	, Part III - Ide	l l	n of Relate		tions Taxable as	a Partnership	I	ı		j)	
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	Controlling Entity	unrelated, excluded from tax under sections	Share of total income		anocations	Code V-UBI amount	Gen O Mana Part	neral or aging ner?	(k) Percentage ownership
AUDUBON LAND COMPANY LLC	REAL ESTATE	СО	CHIC	512-514) RELATED	34,991	8,665,388	Yes No	0	Yes	No No	50 1 %
5390 N ACADEMY BLVD SUITE 300 COLORADO SPRINGS, CO 80918											
84-1513085 AVANTAS LLC	STAFFING OF	NE	AHBMHS	RELATED	-210,405	4,806,071	No	-439,536	-	No	95 %
11128 JOHN GALT BLVD SUITE 400 OMAHA, NE 68137 39-2045003	NURSES										
BERYWOOD OFFICE PROPERTIES LLC	PHYS OFFICE	TN	мнсѕ	RELATED	57,545	1,013,237	No	0	Yes		63 %
400 BERYWOOD TRAIL CLEVELAND, TN 37312 62-1875199											
BLUEGRASS REGIONAL IMAGING CENTER	DIAGNOSTIC	КҮ	SJHS	RELATED	308,428	3,317,191	No	0		No	65 %
1218 SOUTH BROADWAY SUITE 310 LEXINGTON, KY 40504 61-1386736		NE	1	DEL ATED	229.425	675 251	No.				100.0/
CENTRAL NEBRASKA HOME CARE SERVICES PO BOX 1146-4510	HEALTHCARE SRVC	NE	NA	RELATED	228,435	675,251	No	0	Yes		100 %
SECOND AVENUE KEARNEY, NE 68848 47-0692112											
REHAB SERVICES	PHYSICAL THERAPY	NE	SFMC	RELATED	1,710,199	2,712,656	No	0		No	51 %
3004 W FAIDLEY AVE GRAND ISLAND, NE 68802 81-0653461											
CHI OPERATING INVESTMENT PROGRAM LP	INVESTMENTS	СО	СНІ	UNRELATED	344,962,532	4,617,413,792	2 No	0	Yes		79 92 %
198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 47-0727942											
	LAUNDRY	NE	NA	RELATED	98,583	3,190,677	No	0		No	100 %
PO BOX 9804 GRAND ISLAND, NE 68802 72-1546196											
MEDICAL CENTER LLC	MEDICAL IMAGING	MD	SJMC	RELATED	423,167	2,174,155	No	0	Yes		51 %
7253 AMBASSADOR ROAD BALTIMORE, MD 21244											
52-1958002 NORTH RIVER SURGERY CENTER LLC	AMBUL SURG CT	TR AR	SVIMC	RELATED	81,071	1,077,536	No	0		No	57 45 %
2209 WILDWOOD AVENUE SHERWOOD, AR 72120 71-0799771											
LIMITED PARTNERSHIP	REAL ESTATE	MD	TMI	RELATED	9,490	0	No	0	Yes		66 58 %
7601 OSLER DRIVE TOWSON, MD 21204 52-1682964											
11650 WEST 2ND PLACE	ORTHO HOSPITAL	СО	ТНС	RELATED	1,846,153	8,411,844	No	0		No	60 %
LAKEWOOD, CO 80255 37-1577105 PENINSULA RADIATION	HEALTHCARE	WA	FHS	RELATED	256,567	3,262,002	No	0		No	60 %
ONCOLOGY LLC 315 MARTIN LUTHER KING JR WAY 111 TACOMA, WA 98405	SRVC										
	MEDICAL IMAGING	СО	CHIC	RELATED	715,094	3,489,436	No	0		No	70 %
1390 KELLY JOHNSON BLVD COLORADO SPRINGS, CO 80920 84-1072619											
RUXTON SURGICENTER LLC	SURGERY CENTE	ER MD	SJMC	RELATED	-69,345	0	No	0	Yes		51 %
8322 BELLONA AVENUE SUITE 201 BALTIMORE, MD 21204 52-2095835											

Form 990, Schedule F	२, Part III - Iden।		n of Relate		ons Taxable as	a Partnership	ı		ı	. ا		
(a) Name, address, and EIN of related organization	Primary activity	(c) Legal Domicile (State or Foreign Country)	Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under	(f) Share of total Income	(g) Share of end- of-year assets	(h) Dispropi allocatio		(i) Code V-UBI amount on Box 20 of K-1	Ger Man	j) neral or aging ner?	(k) Percentage ownership
		Country)		sections 512-514)			Yes	No		Yes	No	
SAINT JOSEPH - SCA HOLDINGS LLC	OP SURGERY	DE	SJHS	RELATED	0	0		No	0	Yes		51 %
1451 HARRDOSBURG ROAD LEXINGTON, KY 40504 45-3801157												
SCA PREMIER SURGERY CENTER OF LOUISVILLE LLC	SURGERY CENTER	KY	Э Н	RELATED	3,388	666,017		No	0	Yes		51 %
200 ABRAHAM FLEXNER WAY LOUISVILLE, KY 40202												
72-1386840 ST FRANCIS LAND COMPANY LLC	REAL ESTATE	СО	CHIC	RELATED	-130,967	13,823,763		No	0		No	51 %
	MED OFFICE	WA	FHS	RELATED	238,717	1,907,063		No	0		No	58 46 %
CENTER ASSOCIATES 1717 SOUTH J STREET TACOMA, WA 98405												
91-1352698 ST JOSEPH-PAML LLC	MGMT SVCS	KY	SJHS	RELATED	30,446	1,149,003		No	0	Yes		62 5 %
424 LEWIS HARGETT CIRCLE STE 160 LEXINGTON, KY 40503 45-2116736												
	OP DIAGNOSTICS	NE	SERMC	RELATED	-200,323	821,112		No	0	Yes		51 %
5000 NORTH 26TH STREET LINCOLN, NE 68521												
26-2884555 SURGERY CENTER OF LEXINGTON LLC	SURGERY CENTER	DE	SJHS	RELATED	-200,318	4,079,584		No	0	Yes		51 %
424 LEWIS HARGETT CIRCLE STE 160 LEXINGTON, KY 40503 62-1179539												
SURGERY CENTER OF LOUISVILLE LLC	SURGERY CENTER	KY	ЈΗ	RELATED	-15,452	396,101		No	0	Yes		51 %
200 ABRAHAM FLEXNER WAY LOUISVILLE, KY 40202 62-1179537 ALEGENT HEALTH	OP DIAGNOSTICS	NE	ACH	RELATED	116,752	776,649		No	0	Yes		51 %
NORTHWEST IMAGING CENTER LLC 3606 N 156TH STREET	OP DIAGNOSTICS	IN E	АСП	RELATED	116,/52	776,649		IN O	U	res		51 %
OMAHA, NE 68116 06-1786985	AMBUL SURG CTR	NE	ACH	RELATED	142,085	3,294,472		No	0		No	63 94 %
SURGERY CENTER LLC 7710 MERCY ROAD STE	ATTOOL SONG CTN			NELA TED	112,003	3,231,172		110				03 31 70
100 ОМАНА, NE 68124 20-8671994												
LAKESIDE AMBULATORY SURGICAL CENTER LLC	AMBUL SURG CTR	NE	ACH	RELATED	3,465,880	1,951,221		No	0		No	516%
17031 LAKESIDE HILLS DR OMAHA, NE 68130												
20-4267902 LAKESIDE ENDOSCOPY CENTER LLC	ENDOSCOPY SRVC	NE	АСН	RELATED	1,455,294	1,013,126		No	0		No	52 28 %
17001 LAKESIDE HILLS PLZ STE 201 OMAHA, NE 68130 20-5544496												
	SPINE HOSPITAL	NE	ACH	RELATED	10,501,730	17,301,869		No	0		No	51 %
6901 N 72ND STREET OMAHA, NE 68122 27-0263191												
	TECH SERVICES	NE	AH-IMC	RELATED	1,011,804	5,564,586		No	68,565	Yes		627%
421 S 9TH ST 102 LINCOLN, NE 68508 20-4962103												
SAINT JOSEPH-ANC HOME CARE SERVICES	HOME HEALTH	KY	JН	RELATED	3,208,139	9,684,824		No	0		No	96 9 %
1700 EDISON DRIVE SUITE 300 MILFORD, OH 45150 26-3330545												

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

Form 990, Schedule I	R, Part III - Ider	ntificatio	on of Related	Organizatio	ns Taxable as a	Partnership			•		,	
(a) Name, address, and EIN of related organization	(b) f Primary activity	(c) Legal Domicile (State or Foreign Country)	Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total Income		(h) Disproj	prtionate	(i) Code V-UBI amount on Box 20 of K-1	Gen	tner?	(k) Percentage ownership
LINCOLN CK LEASING	REAL ESTATE	NE	SERMC	RELATED	397,452	439,334		No	0	+	No	53 76 %
LLC 8770 BRYN MAWR SUITE 1370 CHICAGO, IL 60631 26-2496856												
HIGHLINE IMAGING LLC 275 SW 160TH ST BURIEN, WA 98166	DIAGNOSTIC	WA	НМС	RELATED	840,222	1,784,058		No	0		No	80 %
20-0460005				'					1	'		1
18000 WEST SARAH	PROPERTY HOLD	WI	SL CDC - VINTAGE	RELATED	1,027,057	105,658,490		No	0		No	51 %
LANE SUITE 250 BROOKFIELD, WI 53045 27-0453767										<u> </u>		- · · ·
ST LUKES HOSPITAL AT THE VINTAGE LLC	HOSPITAL		SL CDC - VINTAGE	RELATED	-19,253,743	69,158,748		No	0	Yes		51 %
6624 FANNIN SUITE 2505 HOUSTON, TX 77030 26-3734516												
PMC HOSPITAL LLC 6624 FANNIN SUITE 2505 HOUSTON, TX 77030 27-3280598	HOSPITAL	TX	SL CDC - PMC	RELATED	1,092,540	20,751,174		No	0	Yes		51 %
ST LUKES DIAGNOSTIC CATH LAB LLP 6620 MAIN ST SUITE	DIAGNOSTIC	TX	SLHS HOLDINGS	RELATED	273,448	868,814		No	0		No	57 3 %
1520 HOUSTON, TX 77030 71-0959365												
HOSPITAL LLC	HOSPITAL	TX	SL CDC - WOODLANDS	RELATED	1,106,628	25,874,619		No	0	Yes		51 %
6624 FANNIN SUITE 2505 HOUSTON, TX 77030 30-0427437												
ST LUKES THE WOODLANDS SLEEP CENTER LLC	DIAGNOSTIC		SLHS HOLDINGS	RELATED	0	0		No	0		No	51 %
6624 FANNIN SUITE 800 HOUSTON, TX 77030 46-2795726												
												7

Form 990, Schedule R, Part IV - Identi						(-)	<i>(</i> E)		
(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	Secti 512(b) contro entity	on (13) lled
ALTERNATIVE INSURANCE MANAGEMENT SERVICE	MANAGEMENT SERVICES		СНІ	C CORPORATION	0	6,272,746	100 %	Yes	
3900 OLYMPIC BOULEVARD SUITE 400 ERLANGER, KY 41018		со							
84-1112049 AMERICAN NURSING	HOME HEALTH		CHS	С	5,118,606	51,920,207	100 %	Yes	
CARE 1700 EDISON DRIVE MILFORD, OH 45150 31-1085414		он		CORPORATION					
AMERIMED INC 1700 EDISON DRIVE MILFORD, OH 45150 31-1158699	HOME HEALTH	он	ANC	C CORPORATION	2,134,392	14,669,219	100 %	Yes	
BC HOLDING COMPANY INC	FITNESS CLUB		Э Н	C CORPORATION	0	0	100 %	Yes	
1850 BLUEGRASS AVE LOUISVILLE, KY 40215 31-1542851		кү							
CADUCEUS MEDICAL ASSOCIATES INC	HEALTHCARE		MHCS	C CORPORATION	0	1,008	100 %	Yes	
5600 BRAINERD ROAD SUITE 500 CHATTANOOGA, TN 37411 62-1570736		TN							
CAPTIVE MANAGEMENT INITIATIVES	CAPTIVE MANAGEMENT	CJ	CHI	C CORPORATION	0	0	100 %	Yes	
PO BOX 10073 APO GEORGETOWN, GRAND CAYMAN KY1-1001 CJ									
98-0663022 CATHOLIC HEALTH INITIATIVES CENTER FOR TRANSLATIONAL RESEARCH	RESEARCH		CIRI	C CORPORATION	-2,286,538	1,241,259	100 %	Yes	
198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 27-2269511		со							
CGH REALTY COMPANY INC 2500 BERNVILLE RD READING, PA 19603	REAL ESTATE	PA	SJHM	C CORPORATION	0	0	100 %	Yes	
23-2326801 COMCARE SERVICES	INACTIVE		CHIC	С	0	0	100 %	Yes	
4231 W 16TH AVENUE DENVER, CO 80204 84-0904813		со		CORPORATION					
CONSOLIDATED HEALTH SERVICES	HOME HEALTH		CHI	C CORPORATION	-879,467	52,379,487	100 %	Yes	
1700 EDISON DRIVE MILFORD, OH 45150		ОН							
31-1378212 DES MOINES MEDICAL CENTER INC	REAL ESTATE		CHI-IA CORP	C CORPORATION	61,204	1,064,032	92 98 %	Yes	
1111 6TH AVENUE DES MOINES, IA 50314 42-0837382		IA							
FIRST INITIATIVES INSURANCE LTD PO BOX 10073 APO GEORGETOWN,	INSURANCE	Cl	СНІ	C CORPORATION	0	0	100 %	Yes	
GEORGETOWN, GRAND CAYMAN KY1-1001 CJ 98-0203038									
FRANCISCAN SERVICES INC	HEALTHCARE		CHI	C CORPORATION	-7,868	718,254	100 %	Yes	
198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 23-2487967		со							
GOOD SAMARITAN OUTREACH SERVICES	MEDICAL CLINIC		CHI NEBRASKA	C CORPORATION	-257,418	180,468	100 %	Yes	
PO BOX 1990 KEARNEY, NE 68848 47-0659440		NE							
HEALTH SYSTEMS ENTERPRISES INC PO BOX 1990	MANAGEMENT	NE	GSH	C CORPORATION	87,278	1,377,820	100 %	Yes	
KEARNEY, NE 68848 47-0664558									

Form 990, Schedule R, Part IV - Identi							0.5		
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile	(d) Direct controlling	(e) Type of entity (C corp, S	(f) Share of total Income	(g) Share of end- of-year	(h) Percentage ownership	(i) Section 512(b)(on
related organization		(state or foreign country)	entity	corp, s	income	assets	ownership	control	led
HEALTHCARE MGMT	HEALTH ORG	,,	FHS	c	0	0	100 %	Yes Yes	No
SERVICES ORG INC		WA		CORPORATION	_		100 /0		
1149 MARKET ST TACOMA, WA 98402		VVA							
91-1865474 MEDQUEST	SALE OF DME		MMC	C	153,510	1,152,715	100 %	Yes	
1301 15TH AVENUE WEST		ND	WILLISTON	CORPORATION					
WILLISTON, ND 58801		, we							
45-0392137 MERCY PARK	HOUSING		CHI-IA CORP	С	369,231	1,937,218	100 %	Yes	
APARTMENTS LTD				CORPORATION					
1111 6TH AVENUE DES MOINES, IA 50314		IA							
42-1202422 MERCY SERVICES	RETAIL SALES		ммс	С	-440,596	1,423,377	100 %	Yes	
CORP	NETATE SALES			CORPORATION		1,123,377	100 /0		
2700 STEWART PARKWAY		OR							
ROSEBURG, OR 97470 93-0824308									
MHSERVICES CORPORATION	DME		SJRMC	C CORPORATION	0	0	100 %	Yes	
198 INVERNESS		МО							
DRIVE WEST ENGLEWOOD, CO		MO							
80112 43-1457881								.	
MOUNTAIN MANAGEMENT SERVICES INC	MGMT SVC ORG		MHCS	C CORPORATION	96,044	6,465,179	100 %	Yes	
5600 BRAINERD		TN							
ROAD SUITE 500 CHATTANOOGA, TN									
37411 62-1570739									
NAZARETH ASSURANCE	INSURANCE	CJ	CHI	C CORPORATION	0	0	100 %	Yes	
COMPANY PO BOX 10073 APO									
GEORGETOWN, GRAND CAYMAN									
KY1-1001 CJ									
03-0304831 PATIENT TRANSPORT	HOME HEALTH		ANC	С	-164,340	5,488,275	100 %	Yes	
SERVICES INC 1700 EDISON DRIVE		ОН		CORPORATION					
MILFORD, OH 45150 31-1100798									
PHYSICIAN HEALTH SYSTEM NETWORK	HEALTH ORG		FHS	C CORPORATION	0	0	100 %	Yes	
1149 MARKET ST		WA							
TACOMA, WA 98402 91-1746721	DILLING SERVICES		5555		257.262	1 261 242	1000		
SAINT CLARES PRIMARY CARE INC	BILLING SERVICES		sccc	C CORPORATION	-357,263	1,361,242	100 %	Yes	
66 FORD ROAD DENVILLE, NJ 07834		NJ							
22-2441202 SAMARITAN FAMILY	HEALTHCARE		SHP	С	0	0	100 %	Yes	
CARE INC				CORPORATION					
40 W FOURTH ST 1700 DAYTON, OH 45402		ОН							
31-1299450 SJH SERVICES	HEALTHCARE		FSI	С	-197,039	3,331,737	100 %	Yes	
CORPORATION			, = -	CORPORATION		_,,,,,,,,			
198 INVERNESS DRIVE WEST		со							
ENGLEWOOD, CO 80112 23-2307408									
SJL PHYSICIAN MANAGEMENT	MANAGEMENT		SJHS	C CORPORATION	0	0	100 %	Yes	
SERVICES INC									
424 LEWIS HARGETT CR 160		KY							
LEXINGTON, KY 40503 27-0164198									
ST ANTHONY DEVELOPMENT	ATHLETIC CLUB		SAH	C CORPORATION	114,663	2,936,102	100 %	Yes	
COMPANY		0.0							
1415 SOUTHGATE PENDLETON, OR		OR							
97801 93-1216943			lavaria.			15.55		 	
ST VINCENT COMMUNITY HEALTH SERVICES INC	HEALTHCARE		SVIMC	C CORPORATION	2,408,638	15,225,732	100 %	Yes	
TWO ST VINCENT		AR							
CIRCLE LITTLE ROCK, AR]							
72205 71-0710785									
								<u> </u>	

Form 990, Schedule R, Part IV - Identi						1	1	1
(a) Name, address, and EIN of	(b) Primary activity	(c) Legal domicile	(d) Direct controlling	(e) Type of entity	(f) Share of total	(g) Share of end- of-year	(h) Percentage	(i) Section
related organization		(state or foreign country)	entity	(C corp, S corp, or trust)	income	assets	ownership	512(b)(13) controlled entity?
ST JOSEPH	RENTAL	l country)	FSI	C	655,478	12 257 410	100 %	Yes No
DEVELOPMENT COMPANY INC	RENTAL		F51	CORPORATION	655,478	12,357,418	100 %	Yes
1717 SOUTH J		WA						
STREET TACOMA, WA 98405								
91-1480569 ST JOSEPH OFFICE	MANAGEMENT		SJHS	С	0	882,139	85 %	Yes
PARK ASSOCIATION				CORPORATION				
1401 HARRODSBURG ROAD BLDG B70		KY						
LEXINGTON, KY 40504 61-1079899								
TOWSON MANAGEMENT INC	MANAGEMENT SERVICES		FSI	C CORPORATION	516,457	197,196	100 %	Yes
7601 OSLER DRIVE	SERVICES	MD		CORPORATION				
TOWSON, MD 21204 52-1710750								
COLLABHEALTH MANAGED	HOLDING CO		СНІ	C CORPORATION	0	23,806,707	100 %	Yes
SOLUTIONS INC								
198 INVERNESS DRIVE WEST		СО						
ENGLEWOOD, CO 80112 46-1222808								
46-1222808 COLLABHEALTH PLAN	ADMIN SERVICES		CHMS	C	-1,082,933	38,272,608	100 %	Yes
SERVICES INC 198 INVERNESS				CORPORATION				
DRIVE WEST ENGLEWOOD, CO		СО						
80112 46-1224037								
HIGHLINE MEDICAL GROUP	MEDICAL SERVICES		нмс	C CORPORATION	-6,049,147	5,689,139	100 %	Yes
15811 AMBAUM BLVD		WA						
SW 170 BURIEN, WA 98166								
91-1407026 SOUNDPATH HEALTH	INSURANCE		CHPS	С	-154,741	10,976,973	556%	Yes
INC				CORPORATION				
32129 WEYERHAEUSER WAY S SUITE 201		WA						
FEDERAL WAY, WA 98001								
42-1720801 SLEHS HOLDINGS INC	HOLDING CO		SLHS	C	1,425,313	33,114,103	100 %	Yes
6624 FANNIN SUITE	Holding Co		SENS	CORPORATION		33,114,103	100 /0	
800 HOUSTON, TX 77030		TX						
76-0637138 ST LUKE'S	MEDICAL CLINIC		SLMC	С	0	0	100 %	Yes
ANESTHESIOLOGY ASSOCIATES				CORPORATION				
6624 FANNIN SUITE 1100		тх						
HOUSTON, TX 77030 46-1517163								
SLMT PARKING INC	PARKING		SLHS	C CORPORATION	1,117,934	13,768,221	100 %	Yes
6624 FANNIN SUITE 800		тх						
HOUSTON, TX 77030 _76-0637140								
ST LUKE'S 6620 MAIN CONDOMINIUM	CONDOMINIUM ASSOC		SLPC	C CORPORATION	0	0	100 %	Yes
ASSOCIATION		тх						
6624 FANNIN SUITE 1100 HOUSTON, TX 77030								
30-0355517 ST LUKE'S	PHO		SLMC		6	0	60 %	Yes
EPISCOPAL HOSPITAL				CORPORATION	_		J J /0	103
PHYSICIAN HOSPITAL		TV						
ORGANIZATION INC		TX						
6720 BERTNER HOUSTON, TX 77030								
76-0377932 ST LUKE'S MEDICAL	CONDOMINIUM ASSOC		SLPC	C	0	0	100 %	Yes
ARTS CENTER I CONDOMINIUM ASSOCIATION				CORPORATION				
6624 FANNIN SUITE		тх						
1100 HOUSTON, TX 77030								
30-0355518 ST LUKE'S MEDICAL	CONDOMINIUM ASSOC		SLMTC	С	0	0	100 %	Yes
TOWER CONDOMINIUM				CORPORATION				
ASSOCIATION		тх						
6624 FANNIN SUITE 1100 HOUSTON, TX 77030								
76-0298751 SUGAR LAND	MEDICAL CLINIC		SL CHS	С	-1,159,411	566,590	100 %	Yes
DOCTOR GROUP	MEDICAL CLINIC		JE CH3	CORPORATION		300,390	100 %	162
1317 LAKE POINTE PARKWAY		тх						
SUGAR LAND, TX 77478								
45-4270163	1	<u> </u>	<u> </u>	<u> </u>	<u> </u>			

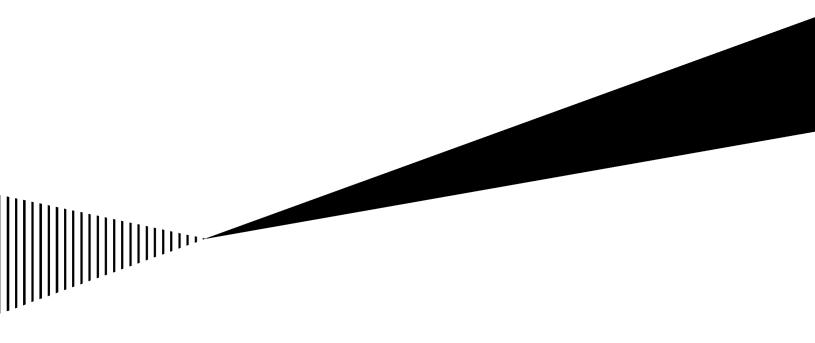
Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total Income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Secti 512(b) contro entity	on (13) lled y?
THE TEXAS HEART	CONDOMINIUM ASSOC		SLMC	c	0	0	100 %	Yes Yes	No
INSTITUTE AT ST LUKE'S EPISCOPAL HOSPITAL DENTON A COOLEY B UILDING CONDOMINIUM ASSOCIATION 6624 FANNIN SUITE 1100 HOUSTON, TX 77030 90-0064009	CONDOMINION ASSOC	ΤX		CORPORATION			100 %	1 es	
ALEGENT HEALTHCREIGHTON ST JOSEPH MANAGED CARE SERVICES INC	MANAGED CARE	NE	ACH	C CORPORATION	5,312,313	4,520,865	100 %	Yes	
12809 WEST DODGE ROAD OMAHA, NE 68154 47-0802396		N.C							
ALL SAINTS INSURANCE COMPANY SPC LTD	INSURANCE	CJ	SLHS	C CORPORATION	0	43,866,961	100 %	Yes	
PO BOX 69 GT 720 WEST BAY ROAD GEORGETOWN, GRAND CAYMAN KY- 1102 CJ									
VINTAGE DOCTOR GROUP	MEDICAL CLINIC		SLMC	C CORPORATION	0	0	100 %	Yes	
6624 FANNIN SUITE 1100 HOUSTON, TX 77030		ТХ							

CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS ON FEDERAL AWARD PROGRAMS

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

Ernst & Young LLP





Consolidated Financial Statements and Reports on Federal Award Programs

Year Ended June 30, 2013

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Report of Independent Auditors

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Alegent Health – Bergan Mercy Health System, as a wholly sponsored direct affiliate of CHI, which statements reflect total assets of \$716.0 million as of June 30, 2012, and total revenues of \$452.0 million for the year then ended Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Alegent Health – Bergan Mercy Health System is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.



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

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

Opinion

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

Adoption of Accounting Standard

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

Other Reporting Required by Government Auditing Standards

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

Ernst + Young LLP

September 17, 2013

Consolidated Balance Sheets (In Thousands)

	June 30			
		2013		2012
Assets				
Current assets				
Cash and equivalents	\$	609,226	\$	403,972
Net patient accounts receivable, less allowances for bad debt				
of \$858,394 and \$687,631 in 2013 and 2012, respectively		1,755,348		1,353,928
Other accounts receivable		197,917		115,884
Current portion of investments and assets limited as to use		11,697		1,901
Inventories		247,720		185,571
Assets held for sale		215,777		485,074
Prepaid and other		137,776		87,125
Total current assets		3,175,461		2,633,455
Investments and assets limited as to use:				
Internally designated for capital and other funds		5,452,023		4,588,520
Mission and Ministry Fund		121,109		110,918
Capital Resource Pool		416,938		320,218
Held by trustees		16,726		228
Held for insurance purposes		825,885		745,127
Restricted by donors		266,325		162,776
Total investments and assets limited as to use		7,099,006		5,927,787
Property and equipment, net		7,786,240		5,346,535
Deferred financing costs		36,557		28,717
Investments in unconsolidated organizations		416,816		307,918
Intangible assets and goodwill, net		364,751		162,880
Notes receivable and other		430,888		605,094
Total assets	<u>\$ 1</u>	19,309,719	\$ 1	5,012,386
1 Otal assots	9 1	17,007,117	ψI	2,012,300

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

See accompanying notes.

Consolidated Statements of Operations (In Thousands)

	Year Ended June 30 2013 2012				
Revenues					
Net patient services revenues before provision for doubtful accounts Provision for doubtful accounts	\$ 10,714,455 \$ (821,465)	9.223.859 (708.458)			
Net patient services revenues	9,892,990	8.515.401			
Nonpatient					
Donations	31,089	25,833			
Changes in equity of unconsolidated organizations	19,056	22,934			
Investment income used for operations	66,529	37,169			
Other	698,561	532,303			
Total nonpatient revenues	815,235	618,239			
Total operating revenues	10,708,225	9,133,640			
Expenses					
Salaries and wages	4,424,404	3,776,086			
Employee benefits	970,824	749,098			
Purchased services, medical professional fees, consulting and legal	1,361,778	924,785			
Supplies	1,832,984	1.566,359			
Utilities	152,979	120,201			
Rentals, leases, maintenance and insurance	616,683	523,042			
Depreciation and amortization	555,064	473.768			
Interest	164,353	129,648			
Other	 624,756	511,152			
Total operating expenses before restructuring, impairment and other losses	10,703,825	8,774,139			
Income from operations before restructuring, impairment	 10,703,023	0.774.137			
and other losses	4,400	359,501			
Restructuring, impairment, and other losses	59,343	47,735			
(Loss) income from operations	 (54,943)	311.766			
Nonoperating gains (losses)					
Investment income, net	488,824	19,770			
Loss on defeasance of bonds	(17,998)	(70,555)			
Realized and unrealized gains (losses) on interest rate swaps	65,843	(153,411)			
Other nonoperating gains (losses)	7.977	(12.215)			
Total nonoperating gains (losses)	544,646	(216.411)			
Excess of revenues over expenses	 489,703	95,355			
(Deficit) excess of revenues over expenses attributable to noncontrolling interest	(37)	537			
Excess of revenues over expenses attributable to CHI	 489,740 \$	94,818			

See accompanying notes

Consolidated Statements of Changes in Net Assets (In Thousands)

	Unrestricted Net Assets								
			At	tributable to		Temporarily	F	Permanently	
	A	ttributable	No	ncontrolling		Restricted Net	R	estricted Net	Total Net
		to CHI		Interest	Total	Assets		Assets	Assets
Balances, June 30, 2011	\$	7,448,161	\$	8.967 \$	7,457,128	\$ 122,795	\$	62.426 \$	7,642,349
Excess of revenues over expenses		94,818		537	95,355	_		_	95,355
Net loss from discontinued operations		(45,095)		_	(45,095)	-		_	(45,095)
Increase in pension funded status		(618,141)		(878)	(619,019)	_		_	(619.019)
Temporarily and permanently restricted contributions		_		-	_	39,117		(122)	38.995
Net assets released from restriction for capital		18,119		-	18,119	(18,119)	_	_
Net assets released from restriction for operations		_		-	_	(19.689)	_	(19.689)
Investment income		232		_	232	1,007		47	1.286
KentuckyOne Health noncontrolling interest		_		181,551	181,551	_		_	181,551
Other changes in net assets		24,372		(9.314)	15,058	11,710		5,682	32,450
Net (decrease) increase in net assets		(525,695)		171.896	(353,799)	14,026		5,607	(334,166)
Balances, June 30, 2012		6,922,466		180,863	7,103,329	136,821		68,033	7,308,183
Excess of revenues over expenses		489,740		(37)	489,703	_		_	489,703
Net loss from discontinued operations		(108,594)		_	(108,594)	_		_	(108,594)
Decrease in pension funded status		483,468		2,082	485,550	_		_	485,550
Temporarily and permanently restricted contributions		_		_	_	33,056		(1,554)	31,502
Net assets released from restriction for capital		15,791		_	15,791	(15,791)	_	_
Net assets released from restriction for operations		_		_	_	(15,728)	_	(15,728)
Investment (loss) meome		(45)		_	(45)	5,393		1,280	6,628
Temporarily and permanently restricted assets from acquisitions		_		_	_	74,253		19,171	93,424
Other changes in net assets		(33,516)		(7,245)	(40,761)	(3,480)	(302)	(44,543)
Net increase (decrease) in net assets		846,844		(5,200)	841,644	77,703		18,595	937,942
Balances, June 30, 2013	<u> </u>	7,769,310	\$	175,663 \$	7,944,973	\$ 214,524	<u> </u>	86,628 \$	8,246,125

See accompanying notes

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended 2013			ne 30 2012
Operating activities				
Increase (decrease) in net assets	\$	937,942	5	(334,166)
Adjustments to reconcile increase (decrease) in net assets to				
net cash provided by operating activities				
Depreciation and amortization		555,064		473,768
Provision for bad debts		821,465		708,458
Changes in equity of unconsolidated organizations		(19,056)		22,934
Net gains on sales of facilities and investments in				
unconsolidated organizations		(85,969)		(57,383)
Noncash operating expenses related to restructuring.				
impairment, and other losses		4,872		16,024
Loss on defeasance of bonds		17,998		70,555
(Increase) decrease in fair value of interest rate swaps		(98,799)		121,949
(Decrease) increase in unfunded pension liability		(484,049)		601,990
Net changes in current assets and liabilities				
Net patient and other accounts receivable		(1,067,716)		(883,703)
Other current assets		(6,725)		(10.992)
Current liabilities		89,868		2,771
Noncontrolling equity of acquisition of JHSMH		_		(181,551)
Other changes		193,461		(120,416)
Net cash provided by operating activities, before net change				
in investments and assets limited as to use		858,356		430,238
Net decrease in investments and assets limited as to use		474,258		286,773
Net cash provided by operating activities		1,332,614		717.011
Investing activities				
Purchases of property, equipment, and other capital assets		(1,285,330)		(861,034)
Purchase of St Luke's Health System, net of cash acquired		(961,014)		_
Purchase of Alegent Creighton Health, net of cash acquired		(505,542)		_
Cash acquired on affiliation agreement with UMC		53,458		_
Cash acquired on contribution of Highline Medical Center		14,238		_
Purchase of Nebraska Heart, net of cash acquired		, _		(130,982)
Purchase of JHSMH, net of cash acquired		_		(28,685)
Net cash proceeds from asset sales		218,002		22,159
Distributions from investments in unconsolidated organizations		35,224		40,214
Cash from net repayments of notes receivable		2,843		29,740
Other changes		35,306		21,373
Net cash used in investing activities		(2,392,815)		(907,215)

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Consolidated Statements of Cash Flows (continued) (In Thousands)

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

See accompanying notes

Notes to Consolidated Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Organization

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

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

Principles of Consolidation

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

Fair Value of Financial Instruments

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

Cash and Equivalents

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Net Patient Accounts Receivable and Net Patient Services Revenues

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

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

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Investments and Assets Limited as to Use

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

Inventories

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

Assets and Liabilities Held for Sale

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

Property and Equipment

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

period of construction of major capital projects is capitalized as a component of the cost of acquiring those assets Capitalized interest of \$30.4 million and \$14.6 million was recorded in 2013 and 2012, respectively

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

Investments in Unconsolidated Organizations

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

During fiscal year 2013, CHI entered into an eleven-year agreement with Conifer Health Solutions (Conifer) to provide revenue cycle services for CHI acute care operations. The agreement allows CHI to earn shares in Conifer as transition and other activities are completed per the agreement. Such shares will be issued at specified future dates. As of June 30, 2013, CHI has received 2,000 shares in Conifer with a fair market value of \$19.3 million and which is reflected as an investment in unconsolidated organizations on the consolidated balance sheet CHI has also met certain transition milestones for which CHI has earned the right to additional future shares valued at \$19.1 million at June 30, 2013, which are reflected in notes receivable and other in the accompanying consolidated financial statements. This earned value will be amortized as an offset to revenue cycle service fees paid to Conifer over the life of the agreement.

Intangible Assets and Goodwill

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Notes Receivable and Other Assets

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Net Assets

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

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Performance Indicator

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

Operating and Nonoperating Activities

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

Charity Care

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

of charity care on the basis of an MBO's total cost as a percentage of total charges applied to the charges incurred by patients qualifying for charity care under CHI's policy. This amount is not included in net patient services revenues in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care provided was \$320.7 million and \$248.7 million in 2013 and 2012, respectively, for continuing operations, and \$2.0 million and \$6.8 million in 2013 and 2012, respectively, for discontinued operations

Other Nonpatient Revenues

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

Derivative and Hedging Instruments

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

Functional Expenses

CHI provides inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Support services include administration, finance and accounting, information technology, public relations, human resources, legal, mission services and other functions that are supported centrally for all of CHI Support services expenses as a percentage of total operating expenses were approximately 5.5% and 5.0% in 2013 and 2012, respectively

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Restructuring, Impairment and Other Losses

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

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

Income Taxes

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

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

Use of Estimates

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

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

CHI accounts for meaningful use incentive payments under the gain contingency model Medicare EHR incentive payments are recognized as revenues when eligible providers demonstrate meaningful use of certified EHR technology and the cost report information for the full cost report year that will determine the full calculation of the incentive payment is available Medicaid EHR incentive payments are recognized as revenues when an eligible provider demonstrates meaningful use of certified EHR technology CHI recognized \$32.5 million and \$11.3 million of Medicare meaningful use revenues and \$8.2 million and \$20.7 million of Medicaid meaningful use revenues in its consolidated statements of operations for fiscal year 2013 and 2012, respectively

Reclassifications

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

2. Community Benefit (Unaudited)

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

Notes to Consolidated Financial Statements (continued)

2. Community Benefit (Unaudited) (continued)

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

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

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

		2013	2012
Cost of community benefit			
Cost of charity care provided	\$	320,666 \$	248,667
Unpaid cost of public programs, Medicaid and other			
indigent care programs		289,436	280,785
Nonbilled services		36,237	28,514
Cash and in-kind donations		3,904	3,221
Education research		48,186	49,640
Other benefit		55,427	52,369
Total cost of community benefit from			
continuing operations		753,856	663,196
Total cost of community benefit from			
discontinued operations		8,095	18,785
Total cost of community benefit		761,951	681,981
Unpaid cost of Medicare from continuing operations		392,485	368,245
Unpaid cost of Medicare from discontinued operations		27,055	26,226
Total unpaid cost of Medicare		419,540	394,471
Total cost of community benefit and the unpaid cost	_	,	,
of Medicare	\$	1,181,491	5 1,076,452

Notes to Consolidated Financial Statements (continued)

2. Community Benefit (Unaudited) (continued)

The summary above has been prepared in accordance with the Catholic Health Association of the United States (CHA) publication, *A Guide for Planning & Reporting Community Benefit* Community benefit is measured on the basis of total cost, net of any offsetting revenues, donations or other funds used to defray cost During fiscal year 2013, CHI received \$28.3 million in funds used to subsidize charity care provided

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

3. Joint Operating Agreements and Investments in Unconsolidated Organizations

Joint Operating Agreements

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

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

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

Notes to Consolidated Financial Statements (continued)

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

varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization. The unconsolidated JOCs had total assets of \$484.0 million and \$688.0 million at June 30, 2013 and 2012, respectively, and net assets of \$161.0 million and \$156.0 million, respectively

Investments in Unconsolidated Organizations

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

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

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Notes to Consolidated Financial Statements (continued)

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

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

						20	13					
	(Aedical Office uildings	Di	and iagnostic	Sı	bulatory urgery enters	Pl	nysician ractices	ī	Other nvestees		Total
		unumgs		oci vices		enters	1	actices		ii vestees		Total
Total assets	\$	34,746	\$	265,568	\$	65,084	\$	28,697	\$	275,661	\$	669,756
Total debt		33,106		24,408		11,998		12,535		60,474		142,521
Net assets		1,414		195,874		44,996		8,758		172,800		423,842
Net patient services												
revenues		_		260,204	1	138,577		34,197		167,914		600,892
Total revenues, net		6,309		353,484	1	142,775		37,065		310,439		850,072
Excess of revenues												
over expenses		872		34,633		44,385		4,241		29,416		113,547
						20)12					
			Oı	utpatient		20	012					
	(Aedical Office uildings	Di	utpatient and iagnostic Services	Sı	20 bulatory urgery enters	Pl	nysician ractices	I	Other nvestees		Total
T. d. I. d.	_B	Office uildings	Di S	and iagnostic Services	Sı C	bulatory urgery enters	PI Pi	ractices		nvestees	45	
Total assets	(Office uildings 29,557	Di S	and iagnostic Services	Sı	bulatory urgery enters 58,575	Pl	19.997	<u>I</u>	140,714	\$	508,596
Total debt	_B	Office uildings 29,557 27,793	Di S	and iagnostic Services 259,753 12,866	Sı C	bulatory urgery enters 58,575 10,627	PI Pi	19,997 8,637		140,714 18,062	\$	508,596 77,985
Total debt Net assets	_B	Office uildings 29,557	Di S	and iagnostic Services	Sı C	bulatory urgery enters 58,575	PI Pi	19.997		140,714	\$	508,596
Total debt Net assets Net patient services	_B	Office uildings 29,557 27,793	Di S	and iagnostic Services 259.753 12.866 195.293	Si C	bulatory urgery 'enters 58.575 10.627 42.396	PI Pi	19,997 8,637 8,462		140.714 18.062 76.977	\$	508,596 77,985 324,288
Total debt Net assets Net patient services revenues	_B	Office uildings 29,557 27,793	Di S	and iagnostic Services 259,753 12,866	\$ C	bulatory urgery enters 58,575 10,627	PI Pi	19,997 8,637		140,714 18,062	\$	508,596 77,985
Total debt Net assets Net patient services	_B	Office uildings 29.557 27.793 1.160	Di S	and iagnostic Services 259,753 12,866 195,293 277,668	\$ C	bulatory urgery enters 58.575 10.627 42.396	PI Pi	19.997 8.637 8.462 33.254		140.714 18.062 76.977 109.779	\$	508.596 77.985 324.288 545.822

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures

Continuing Operations

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

		St. Luke's	Highline	UMC	Alegent	Total
Fiscal Year 2013						_
Purchase consideration						
Cash	\$	1,000,000	\$ _	\$ _	\$ 553,700	\$ 1,553,700
Note payable		260,000	_	_	_	260,000
Contingent						
consideration		_	_	217,709	_	217,709
Equity interest in						
Alegent		_	_	_	33,934	33,934
Gain on business						
combination		_	55,436	_	20,989	76,425
	\$	1,260,000	\$ 55,436	\$ 217,709	\$ 608,623	\$ 2,141,768
	9	St. Luke's	Highline	UMC	Alegent	Total
Fiscal Year 2013						
Purchase price allocation						
Cash and investments	\$	1,153,253	\$ 57,133	\$ 94,061	\$ 496,309	\$ 1,800,756
Patient and other						
accounts receivable		180,106	27,268	65,723	118,833	391,930
Other current assets		37,413	5,081	29,601	34,884	106,979
Property and equipment		1,046,341	137,148	176,004	474,996	1,834,489
Intangible assets		41,124	1,494	_	982	43,600
Goodwill		_	_	53,178	92,964	146,142
Other assets		25,600	17,745	9,367	63,798	116,510
Current liabilities		(175,081)	(34,087)	(76,202)	(206,630)	(492,000)
Pension liability		(3,559)	(12,307)	_	(48,216)	(64,082)
Other liabilities		(153,436)	(5,355)	(11,202)	(81,344)	(251,337)
Notes payable to CHI		_	_	_	(337,953)	(337,953)
Debt		(891,761)	(138,684)	(122,821)		(1,153,266)
	\$	1,260,000	\$ 55,436	\$ 217,709	\$ 608,623	\$ 2,141,768

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

St. Luke's Health System – Effective June 1, 2013, CHI acquired the operations of St Luke's Health System (St Luke's), a six-hospital system based in Houston, Texas, from Episcopal Health Foundation for cash and a note payable For the month of June 2013, the operations of St Luke's contributed \$95.2 million in operating revenues and \$12.8 million of deficit of revenues over expenses to the CHI consolidated results of operations

Highline Medical Center – Effective April 1, 2013, Highline Medical Center (Highline) was acquired by CHI for no consideration, resulting in the recognition of a \$55.4 million gain calculated as the fair value of assets acquired and liabilities assumed determined based upon observable (Level 2) inputs Highline is a 154-bed acute care hospital based in Burien, Washington Including the contribution gain, Highline reported \$103.7 million in operating revenues and \$52.8 million in excess of revenues over expenses to the CHI consolidated results of operations for the period April 1 through June 30, 2013

University Medical Center and University of Louisville Hospital – Effective March 1, 2013, KentuckyOne Health, University Medical Center (UMC) and the University of Louisville entered into a partnership, structured as a joint operating agreement between University Medical Center and KentuckyOne Health, whereby KentuckyOne Health controls substantially all of UMC's operations, which consist of the University of Louisville Hospital and the James Graham Brown Cancer Center (ULH) As part of the agreement, KentuckyOne Health has committed to provide financial support to the University of Louisville over the next 20 years, which as of the acquisition date had a fair value of \$217.7 million based upon discounted cash flows and probability-weighted performance assumptions (Level 3 inputs). The value of such contingent consideration will be remeasured at fair value on an annual basis. For the period from March 1 through June 30, 2013, the operations of ULH contributed \$166.3 million of operating revenues and \$11.8 million of excess of revenues over expenses to the CHI consolidated results of operations, prior to the effects of the JOA revenue-sharing arrangement

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

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Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

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

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

	JHSMH	Nebraska Heart	Total
Fiscal Year 2012			
Purchase consideration			
Cash	\$ _	\$ 131,127	\$ 131,127
Equity interest in JHSMH	19,659	_	19,659
Gain on business combination	57,293	_	57,293
Fair market value of noncontrolling interests	181,551	_	181,551
	\$ 258,503	\$ 131,127	\$ 389,630
Purchase price allocation			
Cash and investments	\$ 275,764	\$ 146	\$ 275,910
Patient and other accounts receivable	123,040	9,815	132,855
Other current assets	33,011	3.079	36,090
Property and equipment	451,662	45,150	496,812
Intangible assets	_	10,123	10,123
Goodwill	_	69,786	69,786
Other assets	17,330	_	17,330
Current liabilities	(143,277)	(6,417)	(149,694)
Other liabilities	(87,459)	(555)	(88,014)
Debt	(411,568)		(411,568)
Net consideration/assets acquired	\$ 258,503	\$ 131,127	\$ 389,630

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

KentuckyOne Health – Effective on January 1, 2012, CHI acquired an additional 58% interest in JHSMH from Jewish Hospital HealthCare Services, Inc (JHHS) in exchange for a noncontrolling interest in KentuckyOne Health, a new statewide health care network in the state of Kentucky, through the combination of JHSMH and St Joseph Health System, a CHI-sponsored MBO CHI has a controlling interest of approximately 83% in KentuckyOne Health and JHHS has the remaining 17% interest The fair value of the noncontrolling interest upon acquisition of \$1816 million was determined using valuation techniques including discounted cash flows For the period from January 1 to June 30, 2012, JHSMH contributed \$4771 million of operating revenues and \$622 million of deficit of revenues over expenses to the CHI consolidated results of operations

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

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

Discontinued Operations

In 2012, CHI committed to a plan to sell the MBOs in Denville, New Jersey, Towson, Maryland, and Pierre, South Dakota The Towson MBO was sold to the University of Maryland Medical System effective on December 1, 2012, for preliminary sales proceeds of \$154.0 million Contingent sales proceeds of \$45.7 million have been placed in escrow pending final disposition of certain open items. A final determination is expected by December 31, 2013. The Pierre MBO was sold to Avera Health effective January 1, 2013, for net sales proceeds of \$50.0 million and a loss on disposition of \$27.7 million. In May 2013, CHI agreed to sell the Denville MBO to Prime

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

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

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

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

The consolidated statements of cash flows include the use of \$24.9 million and \$45.4 million of operating, investing and financing activities related to discontinued operations for the years ended June 30, 2013 and 2012, respectively

5. Net Patient Services Revenues

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

Notes to Consolidated Financial Statements (continued)

5. Net Patient Services Revenues (continued)

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

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

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

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

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

2013	2012
32%	31%
8	7
40	39
8	8
12	15
100%	100%
	32% 8 40 8 12

Notes to Consolidated Financial Statements (continued)

5. Net Patient Services Revenues (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated settlements related to Medicare and Medicaid of \$103.0 million and \$57.0 million at June 30, 2013 and 2012, respectively, are included in third-party liabilities. Net patient services revenues from continuing operations increased by \$38.0 million in 2013 and \$20.5 million in 2012 due to favorable changes in estimates related to prior-year settlements. Also during 2012, CHI prevailed on the appeal of two cost report settlements from the Centers for Medicare and Medicaid Services (CMS) related to the calculation used by CMS for the rural floor wage index and for the disallowance of insurance premiums paid to FIIL. The settlement amounts are included in the 2012 net patient services revenues from continuing operations, and totaled \$76.7 million for the rural floor wage index and \$19.8 million for the insurance premiums. The appeals spanned years from 1997 through 2011.

6. Investments and Assets Limited as to Use

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

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

Net unrealized gains at June 30, 2013 and 2012, were \$297.3 million and \$144.0 million, respectively

Notes to Consolidated Financial Statements (continued)

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

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

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

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Notes to Consolidated Financial Statements (continued)

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

The Program asset allocation at June 30 is as follows

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

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

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

Direct expenses of the Program are less than 0.4% of total assets. Fees paid to the alternative investment managers are not included in the total expense calculation as they are not a direct expense of the Program

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities

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

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

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

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

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

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

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Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities (continued)

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

2013

				20	13			
	Fair Value Measurements at Reporting Date Using							te Using
			((Level 1)	(Level 2)	(Level 3)
	F	air Value		oted Prices		Other		
		as of	_	in Active	0	bservable	Un	observable
		June 30		Markets		Inputs		Inputs
Assets						•		
Assets limited as to use								
Cash and short-term								
investments	\$	244,077	\$	197,385	\$	46,692	\$	_
Marketable equity						•		
securities		858,537		858,537		_		_
Marketable fixed-income		,		,				
securities		773,069		123,996		649,073		_
Other investments		11,718		, –		, _		11,718
		,						,
Deferred compensation								
assets								
Cash and short-term								
investments		12,035		12,035		_		_
	\$	1,899,436	\$	1,191,953	\$	695,765	\$	11,718
Liabilities								
Interest rate swaps	\$	271,634	\$	_	\$	271,634	\$	_
Deferred compensation		,				,		
liability		12,035		12,035		_		_
<u>, </u>	\$	283,669	\$	12,035	\$	271,634	\$	
	_							

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities (continued)

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

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

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities (continued)

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

8. Property and Equipment

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

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

CHI evaluates whether events and circumstances have occurred that indicate the remaining useful life of property, equipment and certain other intangible assets may not be recoverable Management determined there were impairment issues in both 2013 and 2012, to the extent that the undiscounted cash flows estimated to be generated by certain assets were less than the underlying carrying value CHI recorded \$4.9 million and \$16.0 million in impairment losses in continuing operations for 2013 and 2012, respectively, resulting from charges related to estimated fair value deficiencies (based upon projected discounted cash flows) at various MBOs

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Notes to Consolidated Financial Statements (continued)

9. Debt Obligations

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

	Interest Rates at June 30, 2013	2013	2012
CHI debt issued under the COD			
Variable-rate Bonds	0.1.10	0.000	10.000
Series 1997B, maturing through 2022	0 14° o S	,	
Series 2000B, maturing 2027	0 07	24,000	27.300
Series 2002B, maturing 2032	0 07	97,800	103,300
Series 2004B, maturing through 2044	0 04-0 07	180,700	180,700
Series 2004C, maturing through 2044	0 05-0 07	163,300	163,300
Series 2008A, maturing 2036	0 14	120,260	120,260
Series 2008C, maturing 2041	0 06	50,000	50,000
Series 2011B, maturing 2046	0 06	158,155	158.155
Series 2011C, maturing 2046	0 13	123,000	125,000
Fixed-rate Bonds			
Series 2002A, maturing 2017	5 50	3,400	4,140
Series 2004A, maturing through 2034	4 75-5 00	146,605	146,605
Series 2006A, maturing 2041	4 00-5 00	270,635	384,135
Series 2006C, maturing through 2041	3 85-5 10	250,000	250,000
Series 2008C, maturing through 2041	4 00-5 00	105,000	105,000
Series 2008D, maturing through 2038	5 00-6 38	471,450	473,950
Series 2009A, maturing 2039	3 50-5 50	748,760	772,110
Series 2009B, maturing through 2039	4 00-5 00	252,360	260,995
Series 2011A, maturing 2041	3 00-5 25	506,090	526,090
Series 2012A. maturing 2035	3 00-5 00	271,260	271.260
Senes 2012 Taxable, maturing 2042	1 60-4 35	1,500,000	-
Commercial Paper		442,475	475,625
Unamortized debt premium		59,538	58.832
Unamortized debt discount		(11,192)	(9.801)
	_		
Total CHI debt issued under the COD		5,942,796	4,665,856
St. Luke's debt issued under Master Trust Indenture			
Variable-rate Bonds	0.020	150.220	
Series 2012. maturing 2021	0 92%	150,220	_
Series 2008, maturing 2041	0 10	100,000	_
Series 2005, maturing 2032	0 08	132,600	_
Fixed-Rate Series 2009, maturing 2025	3 75–5 625	150,798	_
Unsecured Bank Notes			
Maturing through 2014	0 67	7,200	-
Maturing through 2017	1 78	92,598	_
Total St Luke's debt issued under Master Trust Indenture		633,416	_
Note payable issued to Episcopal Foundation		260,000	_
Capital leases and other debt		569,845	77,391
	_	7,406,057	4,743,247
Less Amounts classified as current Variable-rate debt with self-liquidity		(321,455)	(321,455)
Commercial paper and current portion of debt		(749,617)	(643.083)
Long-term debt	-		\$ 3,778,709

Notes to Consolidated Financial Statements (continued)

9. Debt Obligations (continued)

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

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

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

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

In October 2012, CHI issued \$1.5 billion of par value long-term, fixed-rate, taxable bonds Proceeds were used to finance a wide array of strategic initiatives, including affiliations in key areas

In November 2011, CHI issued \$809.2 million of fixed-rate, variable-rate and Windows variable-rate bonds (Windows) in the states of Colorado, Kentucky and Washington Proceeds were used to refund \$223.5 million of existing debt and to redeem \$116.8 million of commercial paper outstanding Concurrent with the issuance of these bonds, CHI converted \$50.0 million of Ohio Series 2008C-2 bonds to bear interest at weekly rates. Also, during November 2011, CHI redeemed \$55.8 million of existing debt. These redemptions resulted in a loss on extinguishment of \$0.7 million.

Notes to Consolidated Financial Statements (continued)

9. Debt Obligations (continued)

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

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

In connection with the acquisition of JHSMH in January 2012, CHI acquired \$342 0 million of JHSMH 2008 series bonds and \$43 0 million of JHSMH 1996 series bonds In January 2012, the 1996 bonds were legally defeased, which resulted in a loss on defeasance of \$0.5 million. In April 2012, CHI issued \$271.3 million of par value bonds in the state of Kentucky Debt proceeds of \$299.7 million and cash of \$114.3 million were used to refund \$322.9 million and legally defease \$88.4 million of the 2008 bonds. The transaction resulted in a loss on extinguishment of \$69.4 million.

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

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Notes to Consolidated Financial Statements (continued)

9. Debt Obligations (continued)

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

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

CHI is a party to 13 floating-to-fixed interest rate swap agreements with notional amounts totaling \$1 6 billion and \$931 8 million at June 30, 2013 and 2012, respectively Generally, it is CHI policy that all counterparties have an AA rating or better The swap agreements require CHI to provide collateral if CHI's liability, determined on a mark-to-market basis, exceeds a specified threshold that varies based upon the rating on the corporation's long-term indebtedness. These fixed-payor swap agreements convert CHI's variable-rate debt to fixed-rate debt. The swaps have varying maturity dates ranging from December 2014 to February 2047. The fair value of the swaps is estimated based on the present value sum of anticipated future net cash settlements until the swaps' maturities. At June 30, 2013 and 2012, the fair value was \$271.6 million and \$238.5 million, respectively. Cash collateral balances of \$107.5 million and \$140.7 million at June 30, 2013 and 2012, respectively, are netted against the fair value of the swaps, and the net amount is reflected in other liabilities. The change in the fair value of these agreements was a net gain of \$98.9 million in 2013 and a net loss of \$121.9 million in 2012.

10. Retirement Plans

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

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Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

		2013	2012
Change in benefit obligation			
Benefit obligation, beginning of year	\$	3,601,231 \$	2,767,988
Service cost		205,037	169,477
Interest cost		151,763	153,204
Actuarial (gain) loss		(170,282)	446,352
JHSMH plan		_	183,733
Alegent plan		120,115	_
St Luke's plan		267,074	_
Settlements		(17,931)	(8,495)
Curtailments		(134,233)	_
Benefits paid		(144,838)	(110,851)
Expenses paid		(451)	(177)
Benefit obligation, end of year		3,877,485	3,601,231
Change in the Plans' assets			
Fair value of the Plans' assets, beginning of year		2,708,411	2,452,465
Actual return on the Plans' assets, net of expenses		309,522	45,002
Employer contributions		203,564	194,279
JHSMH plan		_	136,188
Alegent plan		83,055	-
St Luke's plan		263,218	_
Settlements		(17,848)	(8,495)
Benefits paid		(144,838)	(110,851)
Expenses paid		(451)	(177)
Fair value of the Plans' assets, end of year		3,404,633	2,708,411
Funded status of the Plans	\$	(472,852) \$	(892,820)
End-of-year values	•	2.055.405.45	2 (01 221
Projected benefit obligation	\$	3,877,485 \$	3,601,231
Accumulated benefit obligation		3,844,708	3,428,819

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

Included in net assets at June 30, 2013, are the following amounts that have not yet been recognized in net periodic pension cost unrecognized prior service cost of \$0.4 million and unrecognized actuarial losses of \$724.2 million. The prior service cost and actuarial losses included in net assets and expected to be recognized in net periodic pension cost during the fiscal year ending June 30, 2014, are \$0.1 million and \$32.8 million, respectively

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

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

The assumption for the expected return on the Plans' assets is based on historical returns and adherence to the asset allocations set forth in the Plans' investment policies. The expected return on the Plans' assets for determining pension cost was 7.75% in 2013 and 2012. The increase in the discount rate to 4.58% at June 30, 2013 decreased the pension benefit obligation by approximately \$187.2 million.

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Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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

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

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

	2013								
		Fair Value Measurements at Reporting Date Using							
				(Level 1)		(Level 2)		(Level 3)	
		Fair Value as of June 30	Q	uoted Prices in Active Markets		Other Observable Inputs	U	nobservable Inputs	
Cash and short-term investments	\$	115,586	\$	102,360	\$	13,226	\$	_	
Marketable equity securities		1,715,087		1,715,087		_		_	
Marketable fixed-income securities		916,766		220,833		695,933		- (57.104	
Alternative investments	\$	657,194 3,404,633	\$	2,038,280	\$	709,159	\$	657,194 657,194	

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Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

	2012							
		Fair Valu	e N	Measuremen	ts	at Reporting	g D	ate Using
				(Level 1)		(Level 2)		(Level 3)
		Fair Value as of June 30	Q	uoted Prices in Active Markets	8	Other Observable Inputs	U	nobservable Inputs
Cash and short-term investments	\$	128,098	\$	117,585	\$	10,513	\$	_
Marketable equity securities Marketable fixed-income		1,318,456		1,318,456		_		_
securities		756,137		230,647		525,490		_
Alternative investments		505,720		_		_		505,720
	\$	2,708,411	\$	1,666,688	\$	536,003	\$	505,720

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

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

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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

11. Concentrations of Credit Risk

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

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

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

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies

Litigation

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

Health Care Regulatory Environment

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

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Operating Leases

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

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

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

13. Insurance Programs

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

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Notes to Consolidated Financial Statements (continued)

13. Insurance Programs (continued)

FIIL provides workers' compensation coverage, either on a directly written basis or through reinsurance fronting relationships with commercial carriers for amounts above \$10 million per claim Coverage of \$500,000 in excess of \$500,000 per claim is reinsured with an unrelated commercial carrier FIIL also underwrites the property and casualty risks of CHI for up to \$10 million per claim Unrelated commercial insurance carriers reinsure losses in excess of the perclaim limits

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

The estimates for loss reserves are subject to the effects of trends in loss severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are reviewed periodically, with consultation from independent actuaries, and any adjustments to the loss reserves are reflected in current operations. As a result of these reviews of claims experience, estimated reserves were reduced by \$48.5 million and \$47.8 million in 2013 and 2012, respectively. The reserves for unpaid losses and loss adjustment expenses relating to the workers' compensation program were discounted, assuming a 4.0% annual return at June 30, 2013 and 2012, to a present value of \$151.2 million and \$147.1 million at June 30, 2013 and 2012, respectively, and represented a discount of \$51.3 million and \$46.3 million in 2013 and 2012, respectively. Reserves related to professional liability, employment practices and general liability are not discounted

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

CHI, through its Welfare Benefit Administration and Development Trust, provides comprehensive health and dental coverage to certain employees and dependents through a self-insured medical plan Accounts payable and accrued expenses include \$510 million and \$540 million for unpaid claims and claims adjustment expenses for CHI's self-insured medical plan at June 30, 2013 and 2012, respectively Those estimates are subject to the effects of trends in loss severity and

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Notes to Consolidated Financial Statements (continued)

13. Insurance Programs (continued)

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

14. Subsequent Events

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

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

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



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with *Government Auditing Standards*

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

Catholic Health Initiatives

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

Internal Control Over Financial Reporting

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

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



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

Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

September 17, 2013



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

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

Catholic Health Initiatives

Report on Compliance for Each Major Federal Program

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinions on Major Federal Programs

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

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

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

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

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

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

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

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

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

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

Other Matters

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

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

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

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

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



responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst + Young LLP

March 31, 2014

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U.S. Department of Agriculture					
Direct Award					
Distance Learning and Telemedicine Loans and Grants	10 855		\$ -	\$ 614 047	\$ 614 047
Pass-Through From					
Ling County Washington State					
Special Supplemental Nutrition Program for Women					
Infants and Children	10 557	CHS2443	-	65 966	65 966
Vorth Country Community Health Services					
Special Supplemental Nutrition Program for Women					
Infants and Children	10 557		_	122 271	122 271
Washington State Department of Health					
Special Supplemental Nutrition Program for Women					
Infants and Children	10 557	N19872	-	1 471 231	1 471 231
Total CFD 4 10 55			-	1 659 468	1 659 468
Iow a Department of Education					
Child and Adult Care Food Program	10 558	778084	_	40 964	40 964
Pennsylvama Department of Education					
Child and Adult Care Food Program	10 558	300-06-556-0 (ECE)			
		300-06-000-1 (Adult)	_	43 089	43 089
Total CFD 4 10 558			_	84 053	84 053
Total U.S. Department of Agriculture			=	2 357 568	2 357 568
U.S. Department of Defense					
Department of Defense					
Direct Award					
Military Medical Research and Development	12 420		354 381	_	354 381
Pass-Through From					
American Burn Association					
Military Medical Research and Development	12 420	W81XWH-08-1-0683	5 740	_	5 740
Total CFD 4 12 420			360 121	-	360 121
Total U.S. Department of Defense			360 121	-	360 121
U.S. Department of Housing and Urban Development					
Direct Award					
Mortgage Insurance Hospitals	14 128		_	116 010 000	116 010 000
Pass-Through From					
City of Des Moines					
Supportive Housing Program	14 235	IA0037B7D021104 IA0037L7D021205	=	504 895	504 895
Total U S Department of Housing and Urban Development			_	116 514 895	116 514 895

Schedule of Expenditures of Federal Awards (continued)

					Expenditures
U S Department of Justice					
Pass-Through From					
Colorado Department of Public Safety					
Division of Criminal Justice					
Violence Against Women Formula Grants	ARRA-16 588	10-VW-5-35 11-VW-17-19 11-VW-17-39 12-VW-5-14	\$ -	\$ 71.712	\$ 71 712
Total U.S. Department of Justice			-	71 712	71 712
U.S. Department of Labor					
Pass-Through From					
Iowa Workforce Development					
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging	155 14 5 15	Low DE HO o of			
Industry Sectors	ARRA-17 275	10-W-PF-HC-0-01		543 925	543 925
Total U.S. Department of Labor			-	543 925	543 925
U.S. Department of Transportation					
Pass-Through From					
Minnesota Department of Public Safety					
Occupant Protection Incentive Grants	20 602	3-13785	-	3 571	3 571
Vehraska Office of Highwar Safeti					
Occupant Protection Incentive Grants	20 602	405-13-06 405-12-06 403-13-6-5		13 032	13 032
Total CFD4 20 602			=	16 603	16 603
Total U.S. Department of Transportation			-	16 603	16 603
Environmental Protection Agency					
Direct Award					
Surveys Studies Research Investigations					
Demonstrations and Special Purpose Activities					
Relating to the Clean Air Act	66 034		-	22 116	22 116
Total Environmental Protection Agency			-	22 116	22 116
U.S. Department of Education					
Direct Awards					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84 007		=	69 120	69 120
Federal Work-Study program	ARRA-84 033		_	13 030	13 030
Federal Pell Grant Program	ARRA-84 063		-	1 940 403	1 940 403
Federal Direct Student Loans	84 268		=	8 627 157	8 627 157
Total Student Financial Assistance Cluster			_	10 649 710	10 649 710

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
U S Department of Education (continued)					
Pass-Through From					
Des Moines Public Schools					
Title I Grants to Local Educational Agencies	84 010		\$ -	\$ 8 554	§ 8 554
Vebraska Department of Education					
Rehabilitation Services Vocational Rehabilitation					
Grants to States	84 126	33104	-	50 000	50 000
New Jersey Department of Human Services					
Rehabilitation Services Vocational Rehabilitation					
Grants to States	84 126	70013		91 750	91 750
Total CFD 4 84 126			_	141 750	141 750
University of Vebraska Medical Center					
Special Education – Grants for Infants and Families	84 181	94-2810-248-IC5-13	=	12 700	12 700
The University of Louisville Research Foundation, Inc					
National Institute on Disability and					
Rehabilitation Research	84 133	H1433N110007	6 887	_	6 887
Total U.S. Department of Education			6 887	10 812 714	10 819 601
·					
U.S. Department of Health and Human Services					
Direct Awards					
Consolidated Health Centers (Community Health Centers Migrant Health Centers Health Care for the Homeless Public Housing Primary Care and School Based Health Centers)	93 224		_	888 959	888 959
Affordable Care Act Nursing Assistant and					
Home Health Aide Program	93 503		_	178 844	178 844
Affordable Care Act Initiative to Reduce Avoidable					
Hospitalizations Among Nursing Facility Residents	93 621		_	412 036	412 036
Health Care and Other Facilities	93 887		_	891 612	891 612
Pass-Through From	<i>33</i> (11)			031 012	051 012
Yehraska Department of Health and Human Services					
•	93 010	6H3HRH000171001		8 300	8 300
Community-Based Abstinence Education	23 010	0113111(11000)[7100]	_	6 500	6 300
Denver Regional Council of Governments					
Special Programs for the Aging Title III Part Grants	02.011	E3/1120		15 10.1	15 10.1
for Supportive Services and Senior Centers	93 044	EX11038	_	105 484	105 484
Colorado Division of Insurance					
Special Programs for the Aging Title IV and Title II					
Discretionary Projects	ARRA-93 048	OE SFA 13SMP000002	_	4 372	4 372
Iowa Department of Public Health					
Public Health Emergency Preparedness	93 069	5883BT02	-	20 666	20 666
Vorth Country Community Health Board					
Public Health Emergency Preparedness	93 069		-	40 026	40 026
North Dakota Department of Health					
Public Health Emergency Preparedness	93 069	11 704		1 760	1 760

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
				<2.452	£2.152
Total CFD 4 93 069			_	62 452	62 452
U.S. Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Goodwill Easter Seals					
Healthy Marriage Promotion and Responsible			_		
Fatherhood Grants	93 086	00-824-230-535	\$ -	\$ 79 298	\$ 79 298
Vebraska Department of Health and Human Services					
Emergency Medical Services for Children	93 127		_	108	108
Cincinnati Children's Hospital Medical Center					
Research Related to Deafness and					
Communication Disorders	93 173	5R01DC010202-02	49 252	=	49 252
Nebraska Department of Health and Human Services					
Affordable Care Act Abstinence Education Program	93 235	10395-13	-	40 594	40 594
Iowa Department of Public Health					
State Rural Hospital Flexibility Program	93 241	58812013	-	3 641	3 641
Vebraska Department of Health and Human Services					
State Rural Hospital Flexibility Program	93 241	3H54RH00005D	-	27 000	27 000
Vehraska Office of Rural Health					
State Rural Hospital Flexibility Program	93 241	#15957-\3 #11460-\3	=	28 682	28 682
North Memorial Health Care Ambulance					
State Rural Hospital Flexibility Program	93 241	P()3000005305	-	4 785	4 785
University of North Dakota Center for Rural Health					
State Rural Hospital Flexibility Program	93 241	UND10097 UND10098	_	27 426	27 426
Total CFD 4 93 241	22.1	01121		91 534	91 534
Iowa Department of Public Health				21 254	21 354
Substance Abuse and Mental Health Services Projects					
of Regional and National Significance	93 243	588 3 SA08		29 768	20.769
	95 245	200 2 2 400	_	29 708	29 768
Iowa Department of Public Health	02.269	50021 102		7066	7000
Immunization Cooperative Agreements	93 268	5882I402	_	7 966	7 966
American Psychological Association Centers for Disease Control and Prevention	93 283			12 976	12 976
Investigations and Technical Assistance	<i>yy</i> 203		_	12 570	12 270
Iowa Department of Public Health					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	5883NB01	-	32 183	32 183
New Jersey Department of Health and Senior Services					
Centers for Disease Control and Prevention	93 283	DFHS13CED014		45 000	45 000
Investigations and Technical Assistance	20 700	DLIM EDM+	-	45,000	+5 000
Vorth Dakota Cancer Coalition					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	4521 HKH3203 03	_	5 300	5 300
University of Iona					
Centers for Disease Control and Prevention					
Investigations and Technical Assistance	93 283	W000383548		3 000	3 000
Total CFD 4 93 283			-	98 459	98 459

Schedule of Expenditures of Federal Awards (continued)

	Federal CFDA	Pass-Through Entity	Research & Development	Other Federal	Total Federal
Federal Grantor/Pass-Through Grantor/Program Title	Number	Identifying Number	Cluster	Expenditures	Expenditures
Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Iow a Department of Public Health					
Small Rural Hospital Improvement Grant Program	93 301	5883SH72 5882SH02	\$ -	\$ 23 451	\$ 23.451
Kentucky Hospital Research and Education Foundation					
Small Rural Hospital Improvement Grant Program	93 301		=	6 000	6 000
Minnesota Department of Health					
Small Rural Hospital Improvement Grant Program	93 301	H128880397W #36536	-	25 710	25 710
Minnesota Department of Human Services					
Small Rural Hospital Improvement Grant Program	93 301	3000003361	-	8 355	8 355
Nebraska Department of Health and Human Services					
Small Rural Hospital Improvement Grant Program	93 301	6H3HRH000171001	-	7 317	7 317
University of North Dakota Center for Rural Health					
Small Rural Hospital Improvement Grant Program	93 301	UND100069 UND100071	_	40 546	40 546
Total CFD 4 93 301		UND100077 UND100085	_	111 379	111 379
Central Community College					
Nurse Education Practice Quality and Retention Grants	93 359		=	68 750	68 750
Olmo State Umversity					
Cancer Treatment Research	93 395	27469-76	2 028	-	2 028
University of Michigan					
Cancer Treatment Research	93 395	C432102	23 600	_	23 600
Total CFD 4 93 395			25 628	-	25 628
Color ado Department of Public Health and Em tronment Affordable Care Act (ACA) Maternal Infant and					
Early Childhood Home Visiting Program Vorth Country Community Health Board	93 505	13 FLA 50476	-	120 374	120 374
Affordable Care Act (ACA) Maternal Infant and Early Childhood Home Visiting Program	93 505		_	106 216	106 216
Total CFD 4 93 505			_	226 590	226 590
Vational Council on Aging					
Affordable Care Act - Medicare Improvements					
for Patients and Providers	93 518		-	57 650	57 650
Vorth Country Community Health Board PPHF 2012 Community Transformation Grants and National Dissemination and Support for Community					
Transformation Grants – financed solely by 2012 Prevention and Public Health Funds Vorth Country Community Health Services	93 531		-	13 349	13 349
Temporary Assistance for Needy Families	93 558		-	38 307	38 307
University of Alabama at Birmingham					
Health Care Innovations Awards	93 610	000432302-002	18 569	_	18 569
Vorth Country Community Health Services					
Medical Assistance Program	93 778		-	73 229	73 229

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Research & Development Cluster	Other Federal Expenditures	Total Federal Expenditures
rederal Grantor/r ass-1 mough Grantor/r rogram 1 tue	Number	Identifying Number	Cluster	Expenditures	Expenditures
S Department of Health and Human Services (continued)					
Pass-Through From (continued)					
Colorado Division of Insurance Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations Washington University	93 779		\$ -	\$ 26 577	\$ 26 577
Blood Diseases and Resources Research	93 839	5U01HL088476-03	9 750	_	9 750
Washington University - St. Louis, Missouri					
Blood Diseases and Resources Research	93 839	WU-11-298	19 877	-	19 877
Total CFD 4 93 839			29 627	-	29 627
Drexel University					
Arthritis Musculoskeletal and Skin Diseases Research	93 846	11012367	15 179	-	15 179
University of Medicine and Dentistry of New Jersey					
Extramural Research Programs in the Neurosciences					
and Neurological Disorders	93 853	34079	5 000	_	5 000
Cincinnati Children's Hospital Medical Center					
Child Health and Human Development					
Extramural Research	93 865	R01HL097064	26 114	-	26 114
Ion a Department of Public Health National Bioterrorism Hospital Preparedness Program	93 889	5883BHP304 5883BHP88 5883BHP62 5883BHP61 5883BHP14 5883BHP63	_	158 058	158 058
Kansas Department of Health and Em n onment		5883BHP15			
National Bioterrorism Hospital Preparedness Program	93 889		_	119 000	119 000
Oregon Health Authority					
National Bioterrorism Hospital Preparedness Program	93 889	139896	-	5 620	5 620
Pennsylvama Department of Health and Human Services					
National Bioterrorism Hospital Preparedness Program	93 889	4100051125	-	37 026	37 026
Sanford Benndy Medical Center					
National Bioterrorism Hospital Preparedness Program	93 889	300007579	_	8 088	8 088
Tennessee Department of Health National Bioterrorism Hospital Preparedness Program	93 889	34349-35813	_	85 690	85 690
Washington State Department of Health Washington State					
Hospital Association					
National Bioterrorism Hospital Preparedness Program Total CFD 4 93 889	93 889	1U90TP000559-01		42 981 456 463	42 981 456 463
Avera Health					
Rural Health Care Services Outreach Rural Health Network Development and Small Health Care					
Provider Quality Improvement Program	93 912		-	1 400	1 400
Vebraska Office of Rural Health					
Grants to States for Operation of Offices of Rural Health	93 913	#47730-04 #12286-\3	-	14 263	14 263

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title			Development	Other Federal Expenditures	Total Federal Expenditures	
U.S. Department of Health and Human Services (continued)						
Pass-Through From (continued)						
Iowa Department of Health and Human Services						
Block Grants for Community Mental Health Services	93 958	NIDH 411-053 NIDH 811-054	\$ -	\$ 67 443	\$ 67 443	
Yew Jersey Department of Human Services						
Block Grants for Community Mental Health Services Total CFD4 93 958	93 958	30305		405 597 473 040	405 597 473 040	
Minnesota Department of Human Services						
Block Grants for Prevention and Treatment						
of Substance Abuse	93 959	GRK°029214	=	203-220	203-220	
North Country Community Health Services Maternal and Child Health Services Block Grant to the States	93 994		-	35 068	35 068	
Colorado Cancer Research Program						
Clinical Practice Support	93 Unknown		-	17 742	17 742	
Color ado Cardrac Alliance						
Penrose Cardio Center	93 Unknown			1 500	1 500	
Total U.S. Department of Health and Human Services			169 369	4 718 313	4 887 682	
Corporation for National and Community Service Pass-Through From						
Foundation for a Healthy Kentucky						
Social Innovation Fund	94 019	10-W-PF-HC-0-01	-	214 848	214 848	
Total Corporation for National and Community Service				214 848	214 848	
U S Department of Homeland Security Direct Award						
Hazard Mitigation Grant	97 039			62 240	62 240	
Total U.S. Department of Homeland Security				62 240	62 240	
Total Expenditures of Federal Awards			\$ 536,377	\$ 135,334,934	\$ 135,871,311	

See accompanying notes to schedule of expenditures of federal awards

Notes to Schedule of Expenditures of Federal Awards

June 30, 2013

1. General

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

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

2. Basis of Accounting

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

3. Federal Student Loan Programs

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

4. Mortgage Insurance Hospitals

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

Notes to Schedule of Expenditures of Federal Awards (continued)

5. Subrecipients

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

CFDA Program Title

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I – Summary of Auditor's Results

Financial statements section

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

Schedule of Findings and Questioned Costs (continued)

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

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster					
84 007, ARRA-84 033, Student Financial Assistance Cluster ARRA-84 063, 84 268						
Various	Research and Development Cluster					
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children					
10 855	Distance Learning and Telemedicine Loans and Grants					
14 128	Mortgage Insurance Hospitals					
14 235 Supportive Housing Program						
ARRA-17 275 Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors						
93 621 Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents						
93 887 Health Care and Other Facilities						
93 889	93 889 National Bioterrorism Hospital Preparedness Program					
93 958 Block Grants for Community Mental Health Services						
Dollar threshold used to dand Type B programs	listinguish between Type A \$300,000					
Auditee qualified as low-	risk auditee ⁹ yes X_ no					

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section

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

There were no financial statement findings

Part III – Federal Award Findings and Questioned Costs Section

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

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Schedule of Findings and Questioned Costs (continued)

<u>Finding 2013-001 – Significant Deficiency – SEFA Preparation – Reporting</u>

Federal program information

- U S Department of Agriculture
- US Department of Defense
- U S Department of Education
- U S Department of Health and Human Services

Research and Development Cluster (R&D) CFDAs 93 846, 93 853, 93 610, 93 839, 12 420 and 84 133

CFDA 10 855 Distance Learning and Telemedicine Loans and Grants (DLT)

CFDA 93 621 Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents (ACA Initiative)

CFDA 93 889 National Bioterrorism Hospital Preparedness Program (HPP)

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or other citation</u>)

In accordance with OMB Circular A-133 Section_ 300, the auditee shall identify, in its accounts, all federal awards received and expended and the federal programs under which they were received Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity Additionally, the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards

Condition

CHI did not provide a complete and accurate listing of all federal awards and expenditures on the schedule of expenditures of federal awards. Various major programs were affected as named above

Questioned costs

\$0

Context

During our audit procedures, we noted expenditures were misstated for various major programs on the initial schedule of expenditures of federal awards provided. The net misstatement was an overstatement of \$442.576, which was ultimately adjusted on the final schedule of expenditures of federal awards. The errors noted related to cutoff issues, research and development classification issues, omitted federal grants and funds from for-profit entities included on the schedule. We specifically noted the following

• R&D was understated by a net amount of \$22,991 due to the

Schedule of Findings and Questioned Costs (continued)

reclassification of certain grants to/from the cluster and due to cutoff issues (reclassifications identified by CHI)

- DLT was overstated by \$133,084 due to cutoff issues
- Funding in the amount of \$311,265 from a for-profit company was included in the schedule in error for CFDA 93 959
- ACA Initiative was overstated by \$30,200 due to cutoff issues
- HPP was understated by \$30,600 due to cutoff issues
- HPP was understated by \$8.088 due to the omission of one grant (identified by CHI)
- Other miscellaneous differences

Effect

Failure to properly accumulate federal expenditures could result in the improper preparation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133

Cause

CHI does not have an effective process in place to properly accumulate all expenditures of federal awards. This is primarily the result of CHI having numerous locations and the federal awards being administered by various departments and individuals at multiple locations.

Recommendation

CHI should challenge the current accumulation process for reporting expenditures of federal awards. A suggestion to improve the current process is to record all federal expenditures in designated general ledger accounts. This will help to ensure that federal expenditures are accurately included on the SEFA CHI should establish procedures to ensure that research and development grants are classified correctly in the SEFA.

<u>Views of responsible officials</u> and planned corrective actions

Beginning in FY 2014. CHI has centralized grant accounting and has implemented a grant module within its accounting system. The implementation of this module will give CHI a tool to effectively accumulate and report federal expenditures. Within this module, cluster information is stored, which will ensure the correct classification of research and development grants.

CHI self-disclosed programs that were omitted from the original SEFA provided to Ernst and Young LLP and self-identified programs for reclassification to/from the research and development cluster

Schedule of Findings and Questioned Costs (continued)

Finding 2013-002 – Eligibility

Federal program information

U S Department of Agriculture

CFDA 10 557 – Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC)

Passed Through Washington State Department of Health – Franciscan Medical Group (N19872)

Passed through King County Washington State – Highline Medical Group (CHS2443)

Passed through North Country Community Health Board – St Joseph's Area Health Services

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or</u> other citation) Scope Limitation – Eligibility per OMB Circular A-133 Section 5102(5) the auditor should report a finding when the auditor's report on compliance is other than unqualified

Condition

CHI was unable to provide sufficient documentation at Franciscan Medical Group in Tacoma. Washington, supporting eligibility determinations made for WIC program participants due to the use of a paperless software system supported by the State of Washington and the U.S. Department of Agriculture

Questioned costs

\$0

Context

Upon the screening of an individual for eligibility for participation in the WIC program, Franciscan Medical Group reviews the support for income, residency, etc, and documents the applicant's eligibility in a software program supported by the State of Washington and the US Department of Agriculture Based upon the inputs from screening, the software program indicates whether or not an individual is eligible for WIC However, Franciscan Medical Group is not required to and does not retain evidence of what was documented in the software program

Effect

We are not able to test eligibility compliance or controls over compliance for the WIC program at Franciscan Medical Group resulting in a scope limitation Due to the scope limitation at Franciscan Medical Group, which accounted for 89% of the WIC expenditures, the scope limitation is reported

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Schedule of Findings and Questioned Costs (continued)

for the WIC program overall

Cause

The paperless software system used for the WIC program at Franciscan Medical Group does not require the retention of records supporting eligibility determination, and such records are not retained

Recommendation

None

<u>Views of responsible officials</u> and planned corrective actions

A scope limitation qualified opinion was issued for Catalog of Federal Domestic Assistance (CFDA) 10 557 -Special Supplemental Nutrition Programs for Women, Infants, and Children (WIC) as the auditors were unable to obtain sufficient documentation supporting the compliance of Franciscan Medical Group (FMG) regarding eligibility for participants FMG uses a paperless software system as required by the State of Washington and the U S Department of Agriculture Third-party documentation is reviewed by FMG at the time the initial eligibility determination of a WIC participant is made. However, due to the paperless system, these records are not retained Since FMG follows the paperless system as described above, no further corrective action will be taken

CHI notes that this issue is isolated to FMG and does not apply to the other CHI locations that receive funding from the WIC program

Schedule of Findings and Questioned Costs (continued)

Finding 2013-003 – Procurement

Federal program information

- U S Department of Agriculture
- U S Department of Health and Human Services (HHS)

CFDA 10 855 Distance Learning and Telemedicine Loans and Grants (DLT). Good Samaritan Hospital (Kearney) (Nebraska 716-E17) and Alegent Creighton Health (Alegent) (Nebraska 725-B17)

Kearney and Alegent represent all expenditures of the major program

CFDA 93 889 – National Bioterrorism Hospital Preparedness Program (HPP)

Passed through Kansas Department of Health and Environment – St Catherine Hospital (Garden City)

Passed through Tennessee Department of Health – Memorial Hospital (Chattanooga) (34349-35813)

Passed through Pennsylvania Department of Health and Human Services – St Joseph Medical Center (Reading) (4100051125)

Passed through Iowa Department of Public Health – Alegent Creighton Health (Alegent)

Garden City. Chattanooga. Reading and Alegent represent \$307,966 of total major program expenditures of \$456,463

CFDA 93 887 – Health Care and Other Facilities (HCOF). Mercy Health Foundation (Durango) (C76HF19377)

Durango represents \$693,000 of total major program expenditures of \$891,612

CFDA 93 958 – Block Grants for Community Mental Health Services (Mental Health). Passed through Iowa Department of Health and Human Services, Alegent Creighton Health (Alegent) (MHDS11-0461 11-054)

Alegent represents \$67,443 of total major program expenditures of \$473,040

CFDA 93 621 – Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents (ACA Initiative). Alegent Creighton Health (Alegent) (1E1CMS331085)

Alegent represents all expenditures of the major program

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Schedule of Findings and Questioned Costs (continued)

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or</u> other citation) In accordance with 2 CFR Section 215 44(a) codified in 45 CFR Section 74 44(a) by HHS and 7 CFR Section 3019 449(a) by Agriculture, all recipients shall establish written procurement procedures These procedures shall provide for, at a minimum, that

- (1) Recipients avoid purchasing unnecessary items
- (2) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the recipient and the federal government
- (3) Solicitations for goods and services provide for all of the following
 - (1) A clear and accurate description of the technical requirements for the material, product, or service to be procured In competitive procurements, such a description shall not contain features that unduly restrict competition
 - (11) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals
 - (III) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards
 - (iv) The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation
 - (v) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement
 - (vi) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient

Condition

For various CHI locations, written procurement policies either did not exist or did not contain all required elements in accordance with criteria above CHI does not have a corporate-wide written procurement policy

Questioned costs

\$0

Context

Written procurement policies do not meet the minimum

Schedule of Findings and Questioned Costs (continued)

requirements per federal requirements for DLT – Kearney, HPP Chattanooga, and Reading, HCOF – Durango and Alegent, DLT, Mental Health, ACA Initiative, and HPP

HPP Garden City does not have a written procurement policy

CHI does not have a corporate-wide written procurement policy

Effect Without written policies that incorporate federal requirements for

procurements with federal funds, noncompliance with federal

requirements may be more likely to occur

<u>Cause</u> Locations may not be aware of the requirements of 45 CFR Section

74 44(a) and 7 CFR Section 3019 44(a) and would benefit from a

corporate-wide policy that complies with the requirements

Recommendation

CHI should prepare a written procurement policy that meets all of the requirements of 2 CFR Section 215, as codified by HHS at 45

CFR Section 74 44(a), and provide to all CHI locations

<u>Views of responsible officials</u> and planned corrective actions

CHI will prepare and implement a written procurement policy during FY 2014 that incorporates all of the federal requirements

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Schedule of Findings and Questioned Costs (continued)

<u>Finding 2013-004 – Material Weakness – Equipment and Real Property Management</u>

Federal program information

U S Department of Agriculture

U S Department of Health and Human Services (HHS)

CFDA 10 855 – Distance Learning and Telemedicine Loans and Grants (DLT). Good Samaritan Hospital (Kearney) (Nebraska 716-E17) and Alegent Creighton Health (Alegent) (Nebraska 725-B17)

Kearney and Alegent represent all expenditures of the major program

CFDA 93 889 – National Bioterrorism Hospital Preparedness Program (HPP)

Passed through Kansas Department of Health and Environment – St Catherine Hospital (Garden City)

Passed through Tennessee Department of Health – Memorial Hospital (Chattanooga) (34349-35813)

Passed through Pennsylvania Department of Health and Human Services – St Joseph Medical Center (Reading) (4100051125)

Passed through Iowa Department of Public Health – Alegent Creighton Health (Alegent)

Garden City, Chattanooga, Reading, and Alegent represent \$307,966 of total major program expenditures of \$456,463

CFDA 93 887 – Health Care and Other Facilities (HCOF), Mercy Foundation of Des Moines, Iowa (Des Moines) (C76HF19995)

Des Moines represents \$198.612 of total major program expenditures of \$891.612

Criteria or specific requirement (including statutory, regulatory or other citation)

In accordance 2 CFR Section 215 34(f), codified by HHS at 45 CFR Section 74 34(f) and by Agriculture at 7 CFR Section 3019 349(f), property management records for equipment acquired with federal funds shall include all of the following description of equipment, serial number, model number, or other identification number, source of the equipment, including the award number, whether the title vests in the recipient or federal government, acquisition date, location and condition of equipment, unit acquisition cost, and ultimate disposition date. Also, the recipient shall take a physical inventory of equipment and the results reconciled with the equipment records at least once every two

Schedule of Findings and Questioned Costs (continued)

years Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment

Condition

CHI's property management records for equipment acquired with federal funds do not include all of the required information at various locations

Physical inventories were not performed or documented adequately at various locations

Questioned costs

\$0

Context

For DLT – Kearney, the equipment records did not include source, who holds title, percentage of federal participation in the cost, condition, and disposition data

For HPP – Garden City, a list of capital equipment is not maintained, and equipment is not recorded as in the general ledger as capital equipment. Garden City's grant document requires that an inventory control system for tracking capital equipment be maintained.

For HPP – Chattanooga, the list of capital equipment only includes the item description, serial number, and location and does not include acquisition date or cost, who holds title, condition, or disposition data

For HPP – Reading, an equipment listing is not maintained, however, one was prepared by Reading for the last five years but did not include acquisition date, who holds title, condition or disposition data HPP – Reading was able to download an equipment list from HHS's website going back to 2005, however, it did not contain all required fields and would not suffice to meet the federal requirements noted above

For Alegent – HPP and DLT, the listing did not include source, who holds title, percentage of federal participation in the cost, condition, and disposition data Further, Alegent did not provide a listing of equipment purchased under these federal grants from

Schedule of Findings and Questioned Costs (continued)

grant inception to date

For HCOF – Des Moines, the listing included a brief description but did not include an identification number, source, who holds title, percentage of federal participation in the cost, condition, and disposition data

For HPP - Chattanooga, no evidence of physical inventory was provided

For HPP – Garden City, a physical inventory was provided for various items including supplies, however, it could not be determined if the listing included all potential capital equipment items since no other listing of federally funded capital equipment is maintained or was provided

For HPP – Reading, the physical inventory was performed on a sample basis, and Reading indicated that it was possible that HPP items may not have been counted. The documentation also contained unresolved differences and questions

For Alegent, DLT, and HPP, a physical inventory was performed on an annual basis for all Alegent locations, however, per review of documentation, the inventories conducted at the various locations are not sufficiently tracked centrally with follow-up of differences or non-responses to the inventory requests

For HCOF – Des Moines, no physical inventory was taken Equipment is maintained by clinical engineering which verifies inventory annually

Misappropriation or loss of equipment purchased with federal funds could occur when internal controls designed to prevent and detect noncompliance related to safeguarding and identifying federal equipment are not implemented or operating effectively

Proper controls were not implemented to appropriately record equipment information in the system after the equipment was received and tagged and to perform the required physical inventories every two years

Effect

Cause

Schedule of Findings and Questioned Costs (continued)

Recommendation

All equipment purchased with federal funds should be appropriately tagged, and a detailed listing should be maintained with all of the required elements A physical inventory observation of federally funded equipment should be performed and documented every two years

<u>Views of responsible officials</u> and planned corrective actions

CHI will implement a policy during FY 2014 that requires a physical inventory observation of federally funded equipment every two years. CHI will also investigate storing the required attributes of 2 CFR Section 215 34 in its fixed asset accounting module.

Schedule of Findings and Questioned Costs (continued)

Finding 2013-005 – Allowable Costs/Cost Principles

Material Weakness - Program 93.958

Significant Deficiency – Programs 93.889

Control Deficiency – Research and Development Cluster

Federal program information

U S Department of Health and Human Services (HHS)

CFDA 93 889 – National Bioterrorism Hospital Preparedness Program (HPP)

Passed through Kansas Department of Health and Environment – St Catherine Hospital (Garden City)

Passed through Iowa Department of Public Health – Alegent Creighton Health (Alegent) (5883BHP 304, 88, 62, 61, 14, 63, 15)

Alegent and Garden City represent \$185,250 of the total program expenditures of \$456,463

CFDA 93 958 – Block Grants for Community Mental Health Services (Mental Health), passed through Iowa Department of Health and Human Services, Alegent Creighton Health (Alegent) (MHDS 11-046/11-054)

Alegent represents \$67.443 of the total program expenditures of \$473.040

Research and Development Cluster – Jewish Hospital and St Mary's Health Care, Inc (Kentucky)

Passed through Drexel University (11012367)

Kentucky represents \$376,447 of the total program expenditures of \$536,377

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or</u> other citation) As required by CFR 45 Part 74 Appendix E and OMB A-122. Attachment B. Paragraph 7, the distribution of salaries and wages must be supported by personnel activity reports for each employee whose compensation is charged in whole or in part to the award. The reports must reflect an assessment of actual activity for each employee, must account for the total activity for which the employee is compensated, must be prepared at least monthly, must coincide with one or more pay periods, and must be signed by the individual employee or a supervisory official having firsthand knowledge of the activities performed by the employee Budget estimates should not be used as support for expenditures.

Schedule of Findings and Questioned Costs (continued)

Condition

CHI did not require employees to prepare time and effort records or personnel activity reports for employees charging hours to federal grants for certain federal grants

Questioned costs

93 889 \$19.965 93 958 \$41.000

Research and Development 93 846 \$15,179

Context

Hours charged to the HPP grant for two selected employees' salaries and wages of \$1.773 were not supported by time and effort records at Alegent Alegent indicated that time and effort records were not prepared for other employees. Total HPP payroll expenditures at Alegent were \$19,950.

Hours charged to the HPP grant for one selected employee's salaries and wages of \$15 were not supported by time and effort records at Garden City Further for this grant, the grant document for Garden City requires grantee to document through job descriptions and employee time and attendance records that all staff members paid with HPP funds are performing activities related to preparedness. Total payroll expenditures for this grant at Garden City were \$1,412

Hours charged to the 93 958 Mental Health grant for selected employees' salaries and wages totaling \$21,532 were based on a pro rata share of the original budgeted hours and were not supported by time and effort records at Alegent Total payroll expenditures to this grant at Alegent were approximately \$41,000

Hours charged to the Research and Development Cluster, specifically CFDA 93 846. Arthritis, Musculoskeletal, and Skin Diseases Research at Kentucky, for one selected employee's salaries, wages, and fringe benefits plus indirect costs totaled \$582. The salaries and wages charged to the grant represented the budgeted percent of 25% of total effort per the grant agreement, however, the time and effort records for the employee did not reflect the actual hours worked by the employee on the grant. Total payroll expenditures plus indirect costs charged to this grant at Kentucky were \$15,179.

Schedule of Findings and Questioned Costs (continued)

<u>Effect</u> Payroll expenditures cannot be supported for amounts charged to

federal awards

<u>Cause</u>

Grantees and employees were not aware of the federal requirements

Recommendation

Personnel activity reports or time and effort records should be prepared at least monthly and coincide with one or more pay periods for employees who charge time to federal programs and be

signed by the employee or supervisory official having firsthand knowledge of the activities performed by the employee

<u>Views of responsible officials</u> and planned corrective actions

CHI will implement a time and effort reporting policy during FY2014 that incorporates all of the federal requirements

Schedule of Findings and Questioned Costs (continued)

<u>Finding 2013-006 – Material Weakness – Procurement and Suspension and Debarment</u>

Federal program information

U S Department of Agriculture

CFDA 10 855 – Distance Learning and Telemedicine Loans and Grants (DLT) (Nebraska 716-E17). Good Samaritan Hospital (Kearney)

Kearney represents \$247,131 of the total program expenditures of \$614,047

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or</u> other citation) Per 7 CFR 3019 43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition

Per 7 CFR 3019 45, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

Per 7 CFR 3019 46, procurement records and files for purchases in excess of the small purchase threshold of \$25,000 shall include the following at a minimum (a) basis for contractor selection. (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price

Condition

CHI did not provide evidence of competitive procurement or sole source justification for one purchase

Questioned costs

\$0

Context

For DLT Kearney. CHI did not provide evidence of competitive procurement or sole source justification for a purchase of information technology equipment for \$184,390

Effect

Federal awards may not be expended in a manner that allows for open and free competition to the extent practical, which results in noncompliance with federal requirements

Schedule of Findings and Questioned Costs (continued)

Cause

Documentation was not retained or inadequate knowledge of federal requirements of those personnel procuring goods or services

Recommendation

All procurement transactions should be conducted in a manner to provide, to the maximum extent practical, open and free competition and a cost or price analysis be performed for procurement transactions. Procurement files should be maintained for procurements above a threshold establish by CHI, which is not less stringent than federal requirements, that include (a) the basis for contractor selection. (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

Views of responsible officials and planned corrective actions

CHI will implement a written procurement policy during FY 2014 that incorporates all of the federal requirements

Schedule of Findings and Questioned Costs (continued)

Finding 2013-007 - Cash Management

	Federal	program	ınformatıon
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U S Department of Health and Human Services

CFDA 93 621 – Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents (ACA Initiative). Alegent Creighton Health (Alegent) (1E1CMS331085)

Alegent represents all expenditures of the major program

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or</u> other citation) Per OMB Circular A-110 2 CFR. Section 215 22, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. When funds are advanced, recipients must have written procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the recipient.

Condition

For the ACA Initiative program at Alegent, the grant was on a reimbursement basis Reimbursement was requested and received prior to the underlying expenditures being incurred

Questioned costs

\$0

Context

Alegent received federal funds of approximately \$536,000 during the year compared to only \$412,000 in underlying expenditures for the year Funds were received in February, March, and May 2013, and expenditures were made through June 30, 2013, with approximately \$100,000 remaining as cash on hand per Federal Financial Report for period ended June 30, 2013

Effect

Program funds were requested before program costs were incurred, so grant was not on a reimbursement basis

<u>Cause</u>

Alegent initially misunderstood the method of payment, resulting in excess reimbursement over expenses

Recommendation

For grants on a reimbursement basis, program costs should be paid for by CHI funds before reimbursement is requested from the

Schedule of Findings and Questioned Costs (continued)

federal government

<u>Views of responsible officials</u> and planned corrective actions

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

Schedule of Findings and Questioned Costs (continued)

<u>Finding 2013-008 – Material Weakness – Reporting</u>

Federal program information

U S Department of Agriculture

CFDA 10 855 – Distance Learning and Telemedicine Loans and Grants (DLT). Alegent Creighton Health (Alegent) (Nebraska 725-B17)

Alegent represents \$366,916 of the total program expenditures of \$614,047

<u>Criteria or specific requirement</u> (<u>including statutory, regulatory or</u> other citation) In accordance with Section 5.7 of the Distance Learning and Telemedicine Grant Agreement between the U.S. Department of Agriculture Rural Utilities Service (RUS) and Alegent, dated January 20, 2012, within ninety (90) days after the close of each calendar year, the grantee shall deliver to RUS a Project Performance Activity Report, in a form and substance satisfactory to RUS, in accordance with RUS Regulations at 7 CFR 1703 107 and a completed Standard Form 425. Federal Financial Report The grantee shall the deliver the Project Performance Activity Report and Standard Form 425 until the expiration or termination of the grant or the completion of the project and expenditure of all grant funds by the grantee. The Project Performance Activity Report shall include, but is not limited to, the following

- (1) A comparison of actual accomplishments to the objectives established for that period.
- (2) A description of any problems, delays, or adverse conditions that have occurred, or are anticipated, and that may affect the attainment of overall project objectives, prevent the meeting of time schedules or objectives, or preclude the attainment of particular project work elements during established time periods. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the situation, and
- (3) Objectives and timetable established for the next reporting period

Condition

Alegent did not submit a Project Performance Activity Report or a Standard Form 425 for the year ended June 30, 2012

Questioned costs

\$0

Schedule of Findings and Questioned Costs (continued)

Context DLT Alegent did not submit a Project Performance Activity Report

or a Standard Form 425 for the year ended June 30, 2012

Effect DLT Alegent is not in compliance with the grant's reporting

requirements

<u>Cause</u> DLT Alegent indicated that report was not submitted for 2012 since

grant personnel was not aware that there were grant expenditures in

2012

Recommendation CHI should establish controls to ensure that all required reports are

submitted to grantors in accordance with grant requirements

<u>Views of responsible officials</u> and planned corrective actions

CHI personnel have been in contact with the grantor agency regarding this issue. The 2013 report will include all activity that has taken place during the life of the grant, including activity that should have been reported for 2012. CHI understands the reporting requirements and will comply with the requirements in the future.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

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

Finding 12-001 – Equipment (CFDA 14.128)

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

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

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

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

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

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

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

Summary Schedule of Prior Audit Findings (continued)

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

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

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

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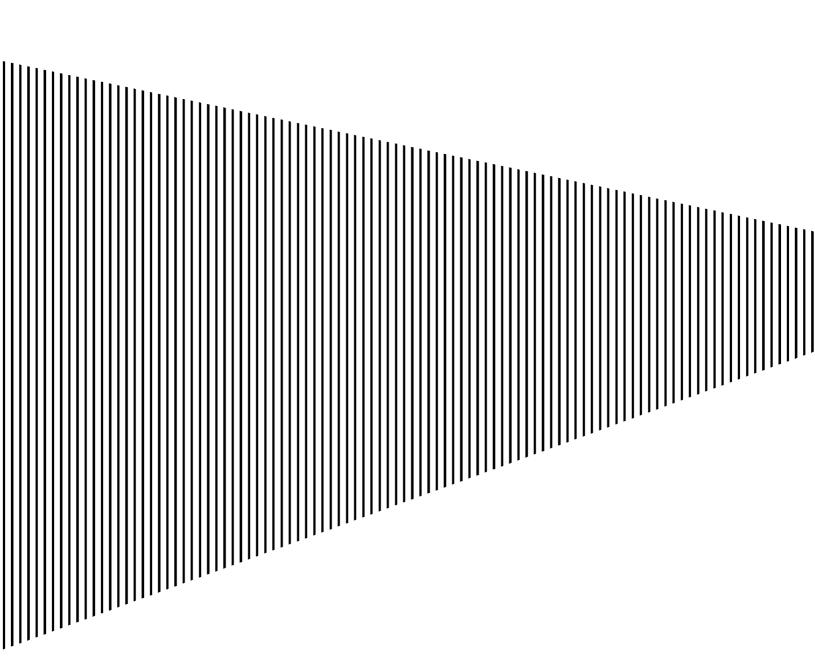
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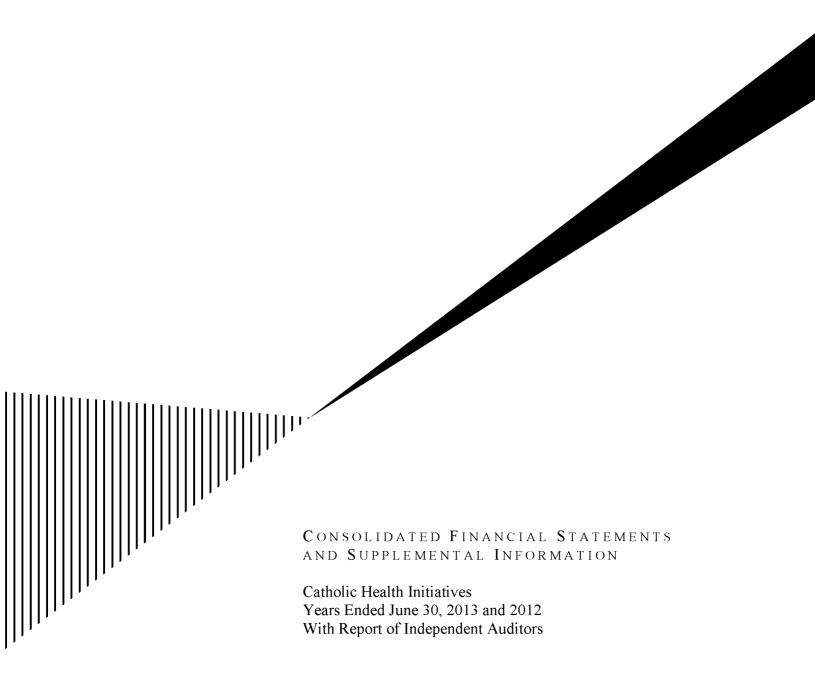
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Consolidated Financial Statements and Supplemental Information

Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

The Board of Stewardship Trustees Catholic Health Initiatives

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Alegent Health–Bergan Mercy Health System, a wholly sponsored direct affiliate of CHI, which statements reflect total assets of \$716.0 million as of June 30, 2012, and total revenues of \$452.0 million for the year then ended Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Alegent Health–Bergan Mercy Health System is based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

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

Opinion

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

Adoption of ASU No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities

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

Ernst + Young LLP

September 17, 2013

Consolidated Balance Sheets (In Thousands)

	June 30			
	20	013		2012
Assets				
Current assets				
Cash and equivalents	\$	609,226	\$	403,972
Net patient accounts receivable, less allowances for bad debt				
of \$858,394 and \$687,631 in 2013 and 2012, respectively	1,7	755,348		1,353,928
Other accounts receivable	1	197,917		115,884
Current portion of investments and assets limited as to use		11,697		1,901
Inventories	2	247,720		185,571
Assets held for sale	2	215,777		485,074
Prepaid and other	1	137,776		87,125
Total current assets	3,1	175,461		2,633,455
Investments and assets limited as to use:				
Internally designated for capital and other funds	5,4	152,023		4,588,520
Mission and Ministry Fund		121,109		110,918
Capital Resource Pool	2	116,938		320,218
Held by trustees		16,726		228
Held for insurance purposes	8	825,885		745,127
Restricted by donors	2	266,325		162,776
Total investments and assets limited as to use	7,0	099,006		5,927,787
Property and equipment, net	7.7	786,240		5,346,535
Deferred financing costs		36,557		28,717
Investments in unconsolidated organizations	2	416,816		307,918
Intangible assets and goodwill, net		364,751		162,880
Notes receivable and other		130,888		605,094
Total assets		309,719	\$	15,012,386

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

See accompanying notes.

Consolidated Statements of Operations (In Thousands)

	Year Ended June 30 2013 2012				
Revenues					
Net patient services revenues before provision for doubtful accounts Provision for doubtful accounts	\$	10,714,455 \$ (821,465)	9.223.859 (708.458)		
Net patient services revenues		9,892,990	8.515.401		
Nonpatient					
Donations		31,089	25,833		
Changes in equity of unconsolidated organizations		19,056	22,934		
Investment income used for operations		66,529	37,169		
Other		698,561	532,303		
Total nonpatient revenues		815,235	618,239		
Total operating revenues		10,708,225	9,133,640		
Expenses					
Salaries and wages		4,424,404	3,776,086		
Employee benefits		970,824	749,098		
Purchased services, medical professional fees, consulting and legal		1,361,778	924,785		
Supplies		1,832,984	1.566,359		
Utilities		152,979	120,201		
Rentals, leases, maintenance and insurance		616,683	523,042		
Depreciation and amortization		555,064	473.768		
Interest		164,353	129,648		
Other		624,756	511,152		
Total operating expenses before restructuring, impairment and other losses		10,703,825	8,774,139		
Income from operations before restructuring, impairment		10,703,023	0.774.137		
and other losses		4,400	359,501		
Restructuring, impairment, and other losses		59,343	47,735		
(Loss) income from operations		(54,943)	311.766		
Nonoperating gains (losses)					
Investment income, net		488,824	19,770		
Loss on defeasance of bonds		(17,998)	(70,555)		
Realized and unrealized gains (losses) on interest rate swaps		65,843	(153,411)		
Other nonoperating gains (losses)		7.977	(12.215)		
Total nonoperating gains (losses)		544,646	(216.411)		
Excess of revenues over expenses		489,703	95,355		
(Deficit) excess of revenues over expenses attributable to noncontrolling interest		(37)	537		
Excess of revenues over expenses attributable to CHI		489,740 \$	94,818		

See accompanying notes

Consolidated Statements of Changes in Net Assets (In Thousands)

	Unrestricted Net Assets								
	Attributable to			Temporarily	Permanently				
	A	ttributable	No	ncontrolling		Restricted Net	Re	estricted Net	Total Net
		to CHI		Interest	Total	Assets		Assets	Assets
Balances, June 30, 2011	\$	7.448.161	\$	8.967 \$	7,457,128	\$ 122,795	\$	62.426 \$	7,642,349
Excess of revenues over expenses		94.818		537	95,355	_		-	95,355
Net loss from discontinued operations		(45,095)		_	(45,095)	-		_	(45,095)
Increase in pension funded status		(618,141)		(878)	(619,019)	_		_	(619,019)
Temporarily and permanently restricted contributions				-	_	39,117		(122)	38,995
Net assets released from restriction for capital		18,119		-	18,119	(18,119)	-	
Net assets released from restriction for operations				-	_	(19.689)	_	(19.689)
Investment income		232		_	232	1,007		47	1.286
KentuckyOne Health noncontrolling interest		-		181,551	181,551	_		-	181,551
Other changes in net assets		24,372		(9.314)	15,058	11,710		5,682	32,450
Net (decrease) increase in net assets		(525.695)		171.896	(353,799)	14,026		5,607	(334,166)
Balances, June 30, 2012		6,922,466		180,863	7,103,329	136,821		68,033	7,308,183
Excess of revenues over expenses		489,740		(37)	489,703	_		_	489,703
Net loss from discontinued operations		(108,594)		_	(108,594)	_		_	(108,594)
Decrease in pension funded status		483,468		2,082	485,550	_		_	485,550
Temporarily and permanently restricted contributions		_		_	_	33,056		(1,554)	31,502
Net assets released from restriction for capital		15,791		_	15,791	(15,791)	_	_
Net assets released from restriction for operations		_		_	_	(15,728)	_	(15,728)
Investment (loss) meome		(45)		_	(45)	5,393		1,280	6,628
Temporarily and permanently restricted assets from acquisitions		_		_	_	74,253		19,171	93,424
Other changes in net assets		(33,516)		(7,245)	(40,761)	(3,480)	(302)	(44,543)
Net increase (decrease) in net assets		846,844		(5,200)	841,644	77,703		18,595	937,942
Balances, June 30, 2013	<u> </u>	7,769,310	\$	175,663 \$	7,944,973	\$ 214,524	\$	86,628 \$	8,246,125

See accompanying notes

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended 2013		June 30 2012		
Operating activities					
Increase (decrease) in net assets	\$ 937,942 \$	5	(334,166)		
Adjustments to reconcile increase (decrease) in net assets to					
net cash provided by operating activities					
Depreciation and amortization	555,064		473,768		
Provision for bad debts	821,465		708,458		
Changes in equity of unconsolidated organizations	(19,056)		22,934		
Net gains on sales of facilities and investments in					
unconsolidated organizations	(85,969)		(57,383)		
Noncash operating expenses related to restructuring.					
impairment, and other losses	4,872		16,024		
Loss on defeasance of bonds	17,998		70,555		
(Increase) decrease in fair value of interest rate swaps	(98,799)		121,949		
(Decrease) increase in unfunded pension liability	(484,049)		601,990		
Net changes in current assets and liabilities					
Net patient and other accounts receivable	(1,067,716)		(883,703)		
Other current assets	(6,725)		(10.992)		
Current liabilities	89,868		2,771		
Noncontrolling equity of acquisition of JHSMH	_		(181.551)		
Other changes	193,461		(120,416)		
Net cash provided by operating activities, before net change					
in investments and assets limited as to use	858,356		430,238		
Net decrease in investments and assets limited as to use	474,258		286,773		
Net cash provided by operating activities	1,332,614		717.011		
Investing activities					
Purchases of property, equipment, and other capital assets	(1,285,330)		(861,034)		
Purchase of St Luke's Health System, net of cash acquired	(961,014)		_		
Purchase of Alegent Creighton Health, net of cash acquired	(505,542)		_		
Cash acquired on affiliation agreement with UMC	53,458		_		
Cash acquired on contribution of Highline Medical Center	14,238		_		
Purchase of Nebraska Heart, net of cash acquired	, <u> </u>		(130,982)		
Purchase of JHSMH, net of cash acquired	_		(28,685)		
Net cash proceeds from asset sales	218,002		22,159		
Distributions from investments in unconsolidated organizations	35,224		40,214		
Cash from net repayments of notes receivable	2,843		29,740		
Other changes	35,306		21,373		
Net cash used in investing activities	(2,392,815)		(907,215)		

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Consolidated Statements of Cash Flows (continued) (In Thousands)

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

See accompanying notes

Notes to Consolidated Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Organization

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

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

Principles of Consolidation

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

Fair Value of Financial Instruments

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

Cash and Equivalents

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

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Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Net Patient Accounts Receivable and Net Patient Services Revenues

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

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

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Investments and Assets Limited as to Use

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

Inventories

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

Assets and Liabilities Held for Sale

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

Property and Equipment

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

period of construction of major capital projects is capitalized as a component of the cost of acquiring those assets Capitalized interest of \$30.4 million and \$14.6 million was recorded in 2013 and 2012, respectively

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

Investments in Unconsolidated Organizations

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

During fiscal year 2013, CHI entered into an eleven-year agreement with Conifer Health Solutions (Conifer) to provide revenue cycle services for CHI acute care operations. The agreement allows CHI to earn shares in Conifer as transition and other activities are completed per the agreement. Such shares will be issued at specified future dates. As of June 30, 2013, CHI has received 2,000 shares in Conifer with a fair market value of \$19.3 million and which is reflected as an investment in unconsolidated organizations on the consolidated balance sheet CHI has also met certain transition milestones for which CHI has earned the right to additional future shares valued at \$19.1 million at June 30, 2013, which are reflected in notes receivable and other in the accompanying consolidated financial statements. This earned value will be amortized as an offset to revenue cycle service fees paid to Conifer over the life of the agreement.

Intangible Assets and Goodwill

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Notes Receivable and Other Assets

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Net Assets

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

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Performance Indicator

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

Operating and Nonoperating Activities

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

Charity Care

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

of charity care on the basis of an MBO's total cost as a percentage of total charges applied to the charges incurred by patients qualifying for charity care under CHI's policy. This amount is not included in net patient services revenues in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care provided was \$320.7 million and \$248.7 million in 2013 and 2012, respectively, for continuing operations, and \$2.0 million and \$6.8 million in 2013 and 2012, respectively, for discontinued operations

Other Nonpatient Revenues

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

Derivative and Hedging Instruments

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

Functional Expenses

CHI provides inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Support services include administration, finance and accounting, information technology, public relations, human resources, legal, mission services and other functions that are supported centrally for all of CHI Support services expenses as a percentage of total operating expenses were approximately 5.5% and 5.0% in 2013 and 2012, respectively

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Restructuring, Impairment and Other Losses

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

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

Income Taxes

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

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

Use of Estimates

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

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

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

CHI accounts for meaningful use incentive payments under the gain contingency model Medicare EHR incentive payments are recognized as revenues when eligible providers demonstrate meaningful use of certified EHR technology and the cost report information for the full cost report year that will determine the full calculation of the incentive payment is available Medicaid EHR incentive payments are recognized as revenues when an eligible provider demonstrates meaningful use of certified EHR technology CHI recognized \$32.5 million and \$11.3 million of Medicare meaningful use revenues and \$8.2 million and \$20.7 million of Medicaid meaningful use revenues in its consolidated statements of operations for fiscal year 2013 and 2012, respectively

Reclassifications

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

2. Community Benefit (Unaudited)

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

Notes to Consolidated Financial Statements (continued)

2. Community Benefit (Unaudited) (continued)

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

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

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

		2013	2012
Cost of community benefit			
Cost of charity care provided	\$	320,666 \$	248,667
Unpaid cost of public programs, Medicaid and other			
indigent care programs		289,436	280,785
Nonbilled services		36,237	28,514
Cash and in-kind donations		3,904	3,221
Education research		48,186	49,640
Other benefit		55,427	52,369
Total cost of community benefit from			
continuing operations		753,856	663,196
Total cost of community benefit from			
discontinued operations		8,095	18,785
Total cost of community benefit		761,951	681,981
Unpaid cost of Medicare from continuing operations		392,485	368,245
Unpaid cost of Medicare from discontinued operations		27,055	26,226
Total unpaid cost of Medicare		419,540	394,471
Total cost of community benefit and the unpaid cost	_	,	,
of Medicare	\$	1,181,491	5 1,076,452

Notes to Consolidated Financial Statements (continued)

2. Community Benefit (Unaudited) (continued)

The summary above has been prepared in accordance with the Catholic Health Association of the United States (CHA) publication, *A Guide for Planning & Reporting Community Benefit* Community benefit is measured on the basis of total cost, net of any offsetting revenues, donations or other funds used to defray cost During fiscal year 2013, CHI received \$28.3 million in funds used to subsidize charity care provided

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

3. Joint Operating Agreements and Investments in Unconsolidated Organizations

Joint Operating Agreements

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

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

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

Notes to Consolidated Financial Statements (continued)

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

varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization. The unconsolidated JOCs had total assets of \$484.0 million and \$688.0 million at June 30, 2013 and 2012, respectively, and net assets of \$161.0 million and \$156.0 million, respectively

Investments in Unconsolidated Organizations

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

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

Notes to Consolidated Financial Statements (continued)

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

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

						20	13					
		Medical Office uildings	Di	and and agnostic Services	Su	bulatory irgery enters	Pl	nysician ractices	T	Other nvestees		Total
		unumgs		ei vices		cirter s	1	actices		iivestees		Total
Total assets	\$	34,746	\$	265,568	\$	65,084	\$	28,697	\$	275,661	\$	669,756
Total debt		33,106		24,408		11,998		12,535		60,474		142,521
Net assets		1,414		195,874		44,996		8,758		172,800		423,842
Net patient services												
revenues		_		260,204	1	38,577		34,197		167,914		600,892
Total revenues, net		6,309		353,484	1	42,775		37,065		310,439		850,072
Excess of revenues												
over expenses		872		34,633		44,385		4,241		29,416		113,547
						20)12					
			Οι	utpatient		20	012					
		Medical Office uildings	Di	utpatient and iagnostic Services	Su	20 bulatory orgery enters	Pl	nysician ractices	I	Other nvestees		Total
Tal	_B	Office uildings	Di S	and lagnostic Services	Su Co	bulatory irgery enters	PI Pi	ractices		nvestees	45	
Total assets		Office uildings 29,557	Di S	and lagnostic Services 259,753	Su Co	bulatory irgery enters 58,575	Pl	19.997	<u>I</u>	140,714	\$	508,596
Total debt	_B	Office uildings 29,557 27,793	Di S	and fagnostic Services 259,753 12,866	Su Co	bulatory irgery enters 58.575 10.627	PI Pi	19,997 8,637		140.714 18.062	\$	508,596 77,985
Total debt Net assets	_B	Office uildings 29,557	Di S	and lagnostic Services 259,753	Su Co	bulatory irgery enters 58,575	PI Pi	19.997		140,714	\$	508,596
Total debt Net assets Net patient services	_B	Office uildings 29,557 27,793	Di S	and fagnostic Services 259.753 12.866 195.293	Su Co \$	58.575 10.627 42.396	PI Pi	19,997 8,637 8,462		140.714 18.062 76.977	\$	508,596 77,985 324,288
Total debt Net assets Net patient services revenues	_B	Office uildings 29,557 27,793 1,160	Di S	and fagnostic Services 259,753 12,866 195,293 277,668	\$ \$ 1	58.575 10.627 42.396	PI Pi	19.997 8.637 8.462 33.254		140.714 18.062 76.977 109.779	\$	508.596 77.985 324.288 545.822
Total debt Net assets Net patient services	_B	Office uildings 29,557 27,793	Di S	and fagnostic Services 259.753 12.866 195.293	\$ \$ 1	58.575 10.627 42.396	PI Pi	19,997 8,637 8,462		140.714 18.062 76.977	\$	508,596 77,985 324,288

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures

Continuing Operations

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

		St. Luke's	Highline	UMC	Alegent	Total
Fiscal Year 2013						_
Purchase consideration						
Cash	\$	1,000,000	\$ _	\$ _	\$ 553,700	\$ 1,553,700
Note payable		260,000	_	_	_	260,000
Contingent						
consideration		_	_	217,709	_	217,709
Equity interest in						
Alegent		_	_	_	33,934	33,934
Gain on business						
combination		_	55,436	_	20,989	76,425
	\$	1,260,000	\$ 55,436	\$ 217,709	\$ 608,623	\$ 2,141,768
	9	St. Luke's	Highline	UMC	Alegent	Total
Fiscal Year 2013						
Purchase price allocation						
Cash and investments	\$	1,153,253	\$ 57,133	\$ 94,061	\$ 496,309	\$ 1,800,756
Patient and other						
accounts receivable		180,106	27,268	65,723	118,833	391,930
Other current assets		37,413	5,081	29,601	34,884	106,979
Property and equipment		1,046,341	137,148	176,004	474,996	1,834,489
Intangible assets		41,124	1,494	_	982	43,600
Goodwill		_	_	53,178	92,964	146,142
Other assets		25,600	17,745	9,367	63,798	116,510
Current liabilities		(175,081)	(34,087)	(76,202)	(206,630)	(492,000)
Pension liability		(3,559)	(12,307)	_	(48,216)	(64,082)
Other liabilities		(153,436)	(5,355)	(11,202)	(81,344)	(251,337)
Notes payable to CHI		_	_	_	(337,953)	(337,953)
Debt		(891,761)	(138,684)	(122,821)		(1,153,266)
	\$	1,260,000	\$ 55,436	\$ 217,709	\$ 608,623	\$ 2,141,768

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

St. Luke's Health System – Effective June 1, 2013, CHI acquired the operations of St Luke's Health System (St Luke's), a six-hospital system based in Houston, Texas, from Episcopal Health Foundation for cash and a note payable For the month of June 2013, the operations of St Luke's contributed \$95.2 million in operating revenues and \$12.8 million of deficit of revenues over expenses to the CHI consolidated results of operations

Highline Medical Center – Effective April 1, 2013, Highline Medical Center (Highline) was acquired by CHI for no consideration, resulting in the recognition of a \$55.4 million gain calculated as the fair value of assets acquired and liabilities assumed determined based upon observable (Level 2) inputs Highline is a 154-bed acute care hospital based in Burien, Washington Including the contribution gain, Highline reported \$103.7 million in operating revenues and \$52.8 million in excess of revenues over expenses to the CHI consolidated results of operations for the period April 1 through June 30, 2013

University Medical Center and University of Louisville Hospital – Effective March 1, 2013, KentuckyOne Health, University Medical Center (UMC) and the University of Louisville entered into a partnership, structured as a joint operating agreement between University Medical Center and KentuckyOne Health, whereby KentuckyOne Health controls substantially all of UMC's operations, which consist of the University of Louisville Hospital and the James Graham Brown Cancer Center (ULH) As part of the agreement, KentuckyOne Health has committed to provide financial support to the University of Louisville over the next 20 years, which as of the acquisition date had a fair value of \$217.7 million based upon discounted cash flows and probability-weighted performance assumptions (Level 3 inputs). The value of such contingent consideration will be remeasured at fair value on an annual basis. For the period from March 1 through June 30, 2013, the operations of ULH contributed \$166.3 million of operating revenues and \$11.8 million of excess of revenues over expenses to the CHI consolidated results of operations, prior to the effects of the JOA revenue-sharing arrangement

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

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

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

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

	JHSMH	Nebraska Heart	Total
Fiscal Year 2012			
Purchase consideration			
Cash	\$ _	\$ 131,127	\$ 131,127
Equity interest in JHSMH	19,659	_	19,659
Gain on business combination	57,293	_	57,293
Fair market value of noncontrolling interests	181,551	_	181,551
	\$ 258,503	\$ 131,127	\$ 389,630
Purchase price allocation			
Cash and investments	\$ 275,764	\$ 146	\$ 275,910
Patient and other accounts receivable	123,040	9,815	132,855
Other current assets	33,011	3.079	36,090
Property and equipment	451,662	45,150	496,812
Intangible assets	_	10,123	10,123
Goodwill	_	69,786	69,786
Other assets	17,330	_	17,330
Current liabilities	(143,277)	(6,417)	(149,694)
Other liabilities	(87,459)	(555)	(88,014)
Debt	(411,568)		(411,568)
Net consideration/assets acquired	\$ 258,503	\$ 131,127	\$ 389,630

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

KentuckyOne Health – Effective on January 1, 2012, CHI acquired an additional 58% interest in JHSMH from Jewish Hospital HealthCare Services, Inc (JHHS) in exchange for a noncontrolling interest in KentuckyOne Health, a new statewide health care network in the state of Kentucky, through the combination of JHSMH and St Joseph Health System, a CHI-sponsored MBO CHI has a controlling interest of approximately 83% in KentuckyOne Health and JHHS has the remaining 17% interest The fair value of the noncontrolling interest upon acquisition of \$1816 million was determined using valuation techniques including discounted cash flows For the period from January 1 to June 30, 2012, JHSMH contributed \$4771 million of operating revenues and \$622 million of deficit of revenues over expenses to the CHI consolidated results of operations

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

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

Discontinued Operations

In 2012, CHI committed to a plan to sell the MBOs in Denville, New Jersey, Towson, Maryland, and Pierre, South Dakota The Towson MBO was sold to the University of Maryland Medical System effective on December 1, 2012, for preliminary sales proceeds of \$154.0 million Contingent sales proceeds of \$45.7 million have been placed in escrow pending final disposition of certain open items. A final determination is expected by December 31, 2013. The Pierre MBO was sold to Avera Health effective January 1, 2013, for net sales proceeds of \$50.0 million and a loss on disposition of \$27.7 million. In May 2013, CHI agreed to sell the Denville MBO to Prime

Notes to Consolidated Financial Statements (continued)

4. Acquisitions and Divestitures (continued)

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

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

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

The consolidated statements of cash flows include the use of \$24.9 million and \$45.4 million of operating, investing and financing activities related to discontinued operations for the years ended June 30, 2013 and 2012, respectively

5. Net Patient Services Revenues

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

Notes to Consolidated Financial Statements (continued)

5. Net Patient Services Revenues (continued)

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

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

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

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

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

2013	2012
32%	31%
8	7
40	39
8	8
12	15
100%	100%
	32% 8 40 8 12

Notes to Consolidated Financial Statements (continued)

5. Net Patient Services Revenues (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated settlements related to Medicare and Medicaid of \$103.0 million and \$57.0 million at June 30, 2013 and 2012, respectively, are included in third-party liabilities. Net patient services revenues from continuing operations increased by \$38.0 million in 2013 and \$20.5 million in 2012 due to favorable changes in estimates related to prior-year settlements. Also during 2012, CHI prevailed on the appeal of two cost report settlements from the Centers for Medicare and Medicaid Services (CMS) related to the calculation used by CMS for the rural floor wage index and for the disallowance of insurance premiums paid to FIIL. The settlement amounts are included in the 2012 net patient services revenues from continuing operations, and totaled \$76.7 million for the rural floor wage index and \$19.8 million for the insurance premiums. The appeals spanned years from 1997 through 2011.

6. Investments and Assets Limited as to Use

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

		2013		2012
Cash and equivalents CHI Investment Program Marketable equity securities Marketable fixed-income securities Hedge funds and other investments	\$	244,077 4,911,135 858,537 773,069 323,885	\$	153,459 4,821,534 315,064 477,440 162,191
Less current portion	_	7,110,703 (11,697) 7,099,006	\$	5,929,688 (1,901) 5,927,787
	<u> </u>	7,099,000	Ф	3,921,181

Net unrealized gains at June 30, 2013 and 2012, were \$297.3 million and \$144.0 million, respectively

Notes to Consolidated Financial Statements (continued)

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

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

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

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Notes to Consolidated Financial Statements (continued)

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

The Program asset allocation at June 30 is as follows

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

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

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

Direct expenses of the Program are less than 0.4% of total assets. Fees paid to the alternative investment managers are not included in the total expense calculation as they are not a direct expense of the Program

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities

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

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

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

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

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

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

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities (continued)

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

	2013								
	Fair Value Measurements at Reporting Date Using								
				(Level 1)	((Level 2)		(Level 3)	
	F	air Value	Qu	oted Prices		Other			
		as of	_	in Active	O	bservable	Un	observable	
		June 30		Markets		Inputs		Inputs	
Assets						•			
Assets limited as to use									
Cash and short-term									
investments	\$	244,077	\$	197,385	\$	46,692	\$	_	
Marketable equity		,		•		,			
securities		858,537		858,537		_		_	
Marketable fixed-income		,		,					
securities		773,069		123,996		649,073		_	
Other investments		11,718		_		, –		11,718	
Deferred compensation									
assets									
Cash and short-term									
investments		12,035		12,035		_		_	
	\$	1,899,436	\$	1,191,953	\$	695,765	\$	11,718	
Liabilities									
Interest rate swaps	\$	271,634	\$	_	\$	271,634	\$	_	
Deferred compensation	•	=: 1,00	•		_	_ : 2,00 :	-		
liability		12,035		12,035		_		_	
· J	\$	283,669	\$	12,035	\$	271,634	\$		
	_								

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities (continued)

2012 Fair Value Measurements at Reporting Date Using								
			(Level 1)	((Level 2)	(1	Level 3)	
	as of	i	n Active	o			bservable Inputs	
\$	153,459	\$	106,489	\$	46,970	\$	_	
	315,064		315,064		_		_	
	477 440		000		476.540			
			900		4/6,540		1.052	
	1,953		_		_		1,953	
	10.852		10.852		_		_	
\$	958,768	\$	433,305	\$	523,510	\$	1,953	
\$	238,549	\$	_	\$	238,549	\$	_	
	10,852		10,852		_		_	
\$	249,401	\$	10,852	\$	238,549	\$		
	\$ \$	Fair Value as of June 30 \$ 153,459 315,064 477,440 1,953 10,852 \$ 958,768 \$ 238,549 10,852	Fair Value as of i June 30 \$ 153,459 \$ 315,064 477,440 1,953 10,852 \$ 958,768 \$ 10,852	Fair Value as of June 30 (Level 1) Quoted Prices in Active Markets \$ 153,459 \$ 106,489 315,064 315,064 477,440 900 1,953 - \$ 958,768 \$ 433,305 \$ 238,549 \$ - 10,852 10,852	Fair Value (Level 1) Fair Value as of June 30 \$ 153,459 \$ 106,489 \$ 315,064 477,440 900 1,953 - 10,852 10,852 \$ 958,768 \$ 433,305 \$ \$ \$ 238,549 \$ - \$ \$ 10,852	Fair Value as of June 30 (Level 1) (Level 2) Quoted Prices in Active Markets Other Observable Inputs \$ 153,459 \$ 106,489 \$ 46,970 315,064 315,064 — 477,440 900 476,540 1,953 — — \$ 958,768 \$ 433,305 \$ 523,510 \$ 238,549 \$ — \$ 238,549 10,852 10,852 —	Fair Value (Level 1) (Level 2) (I (Level 2) (I (Level 2)) (I (Level 2)) <th< td=""></th<>	

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

Notes to Consolidated Financial Statements (continued)

7. Fair Value of Assets and Liabilities (continued)

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

8. Property and Equipment

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

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

CHI evaluates whether events and circumstances have occurred that indicate the remaining useful life of property, equipment and certain other intangible assets may not be recoverable Management determined there were impairment issues in both 2013 and 2012, to the extent that the undiscounted cash flows estimated to be generated by certain assets were less than the underlying carrying value CHI recorded \$4.9 million and \$16.0 million in impairment losses in continuing operations for 2013 and 2012, respectively, resulting from charges related to estimated fair value deficiencies (based upon projected discounted cash flows) at various MBOs

Notes to Consolidated Financial Statements (continued)

9. Debt Obligations

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

	Interest Rates at June 30, 2013	2013	2012
CHI debt issued under the COD	· · · · · · · · · · · · · · · · · · ·		
Vanable-rate Bonds			
Series 1997B, maturing through 2022	0 14° o	\$ 9,200	\$ 18,900
Series 2000B, maturing 2027	0 07	24,000	27,300
Series 2002B, maturing 2032	0 07	97,800	103,300
Series 2004B, maturing through 2044	0 04-0 07	180,700	180,700
Series 2004C, maturing through 2044	0 05-0 07	163,300	163,300
Series 2008A, maturing 2036	0 14	120,260	120,260
Series 2008C, maturing 2041	0 06	50,000	50,000
Series 2011B, maturing 2046	0.06	158,155	158,155
Series 2011C. maturing 2046	0 13	123,000	125.000
Fixed-rate Bonds			
Series 2002A, maturing 2017	5 50	3,400	4,140
Series 2004A, maturing through 2034	4 75–5 00	146,605	146,605
Series 2006A, maturing 2041	4 00-5 00	270,635	384,135
Series 2006C, maturing through 2041	3 85-5 10	250,000	250,000
Series 2008C, maturing through 2041	4 00-5 00	105,000	105,000
Series 2008D, maturing through 2038	5 00-6 38	471,450	473,950
Series 2009A, maturing 2039	3 50-5 50	748,760	772,110
Series 2009B, maturing through 2039	4 00-5 00	252,360	260.995
Series 2011A. maturing 2041	3 00-5 25	506,090	526,090
Series 2017A, maturing 2047 Series 2012A, maturing 2035	3 00-5 00		
	1 60-4 35	271,260	271.260
Series 2012 Taxable. maturing 2042	1 00-4 33	1,500,000	_
Commercial Paper		442,475	475,625
Unamortized debt premium		59,538	58,832
Unamortized debt discount	_	(11,192)	(9,801)
Total CHI debt issued under the COD	_	5,942,796	4,665,856
St. Luke's debt issued under Master Trust Indenture			
Variable-rate Bonds			
Series 2012, maturing 2021	0 92° o	150,220	_
Series 2008, maturing 2041	0 10	100,000	_
Series 2005, maturing 2032	0 08	132,600	_
Fixed-Rate Series 2009, maturing 2025	3 75–5 625	150,798	_
Unsecured Bank Notes			
Maturing through 2014	0 67	7,200	=
Maturing through 2017	1 78	92,598	_
Total St Luke's debt issued under Master Trust Indenture	_	633,416	_
Note payable issued to Episcopal Foundation		260,000	_
Capital leases and other debt		569,845	77,391
	_	7,406,057	4,743,247
Less Amounts classified as current		/201 155	(221 155)
Variable-rate debt with self-liquidity		(321,455)	(321.455)
Commercial paper and current portion of debt	_	(749,617)	(643,083)
Long-term debt	=	\$ 6,334,985	\$ 3,778,709

Notes to Consolidated Financial Statements (continued)

9. Debt Obligations (continued)

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

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

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

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

In October 2012, CHI issued \$1.5 billion of par value long-term, fixed-rate, taxable bonds Proceeds were used to finance a wide array of strategic initiatives, including affiliations in key areas

In November 2011, CHI issued \$809.2 million of fixed-rate, variable-rate and Windows variable-rate bonds (Windows) in the states of Colorado, Kentucky and Washington Proceeds were used to refund \$223.5 million of existing debt and to redeem \$116.8 million of commercial paper outstanding Concurrent with the issuance of these bonds, CHI converted \$50.0 million of Ohio Series 2008C-2 bonds to bear interest at weekly rates. Also, during November 2011, CHI redeemed \$55.8 million of existing debt. These redemptions resulted in a loss on extinguishment of \$0.7 million.

Notes to Consolidated Financial Statements (continued)

9. Debt Obligations (continued)

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

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

In connection with the acquisition of JHSMH in January 2012, CHI acquired \$342 0 million of JHSMH 2008 series bonds and \$43 0 million of JHSMH 1996 series bonds In January 2012, the 1996 bonds were legally defeased, which resulted in a loss on defeasance of \$0.5 million. In April 2012, CHI issued \$271.3 million of par value bonds in the state of Kentucky Debt proceeds of \$299.7 million and cash of \$114.3 million were used to refund \$322.9 million and legally defease \$88.4 million of the 2008 bonds. The transaction resulted in a loss on extinguishment of \$69.4 million.

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

Notes to Consolidated Financial Statements (continued)

9. Debt Obligations (continued)

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

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

CHI is a party to 13 floating-to-fixed interest rate swap agreements with notional amounts totaling \$1 6 billion and \$931 8 million at June 30, 2013 and 2012, respectively Generally, it is CHI policy that all counterparties have an AA rating or better The swap agreements require CHI to provide collateral if CHI's liability, determined on a mark-to-market basis, exceeds a specified threshold that varies based upon the rating on the corporation's long-term indebtedness. These fixed-payor swap agreements convert CHI's variable-rate debt to fixed-rate debt. The swaps have varying maturity dates ranging from December 2014 to February 2047. The fair value of the swaps is estimated based on the present value sum of anticipated future net cash settlements until the swaps' maturities. At June 30, 2013 and 2012, the fair value was \$271.6 million and \$238.5 million, respectively. Cash collateral balances of \$107.5 million and \$140.7 million at June 30, 2013 and 2012, respectively, are netted against the fair value of the swaps, and the net amount is reflected in other liabilities. The change in the fair value of these agreements was a net gain of \$98.9 million in 2013 and a net loss of \$121.9 million in 2012.

10. Retirement Plans

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

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

		2013	2012
Change in benefit obligation			
Benefit obligation, beginning of year	\$	3,601,231 \$	2,767,988
Service cost		205,037	169,477
Interest cost		151,763	153,204
Actuarial (gain) loss		(170,282)	446,352
JHSMH plan		_	183,733
Alegent plan		120,115	_
St Luke's plan		267,074	_
Settlements		(17,931)	(8,495)
Curtailments		(134,233)	_
Benefits paid		(144,838)	(110,851)
Expenses paid		(451)	(177)
Benefit obligation, end of year		3,877,485	3,601,231
Change in the Plans' assets			
Fair value of the Plans' assets, beginning of year		2,708,411	2,452,465
Actual return on the Plans' assets, net of expenses		309,522	45,002
Employer contributions		203,564	194,279
JHSMH plan		_	136,188
Alegent plan		83,055	-
St Luke's plan		263,218	_
Settlements		(17,848)	(8,495)
Benefits paid		(144,838)	(110,851)
Expenses paid		(451)	(177)
Fair value of the Plans' assets, end of year		3,404,633	2,708,411
Funded status of the Plans	\$	(472,852) \$	(892,820)
End-of-year values	•	2.055.405.45	2 (01 221
Projected benefit obligation	\$	3,877,485 \$	3,601,231
Accumulated benefit obligation		3,844,708	3,428,819

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

Included in net assets at June 30, 2013, are the following amounts that have not yet been recognized in net periodic pension cost unrecognized prior service cost of \$0.4 million and unrecognized actuarial losses of \$724.2 million. The prior service cost and actuarial losses included in net assets and expected to be recognized in net periodic pension cost during the fiscal year ending June 30, 2014, are \$0.1 million and \$32.8 million, respectively

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

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

The assumption for the expected return on the Plans' assets is based on historical returns and adherence to the asset allocations set forth in the Plans' investment policies. The expected return on the Plans' assets for determining pension cost was 7.75% in 2013 and 2012. The increase in the discount rate to 4.58% at June 30, 2013 decreased the pension benefit obligation by approximately \$187.2 million.

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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

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

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

	2013									
		Fair Value Measurements at Reporting Date Using								
				(Level 1)		(Level 2)		(Level 3)		
		Fair Value as of June 30	Q	uoted Prices in Active Markets		Other Observable Inputs	U	nobservable Inputs		
Cash and short-term investments	\$	115,586	\$	102,360	\$	13,226	\$	_		
Marketable equity securities		1,715,087		1,715,087		_		_		
Marketable fixed-income securities		916,766		220,833		695,933		- (57.104		
Alternative investments	\$	657,194 3,404,633	\$	2,038,280	\$	709,159	\$	657,194 657,194		

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

	2012								
		Fair Value Measurements at Reporting Date Using							
				(Level 1)		(Level 2)		(Level 3)	
		Fair Value as of June 30	Q	uoted Prices in Active Markets	8	Other Observable Inputs	U	nobservable Inputs	
Cash and short-term investments	\$	128,098	\$	117,585	\$	10,513	\$	_	
Marketable equity securities Marketable fixed-income		1,318,456		1,318,456		_		_	
securities		756,137		230,647		525,490		_	
Alternative investments		505,720		_		_		505,720	
	\$	2,708,411	\$	1,666,688	\$	536,003	\$	505,720	

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

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

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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

11. Concentrations of Credit Risk

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

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

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

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies

Litigation

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

Health Care Regulatory Environment

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

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Operating Leases

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

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

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

13. Insurance Programs

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

Notes to Consolidated Financial Statements (continued)

13. Insurance Programs (continued)

FIIL provides workers' compensation coverage, either on a directly written basis or through reinsurance fronting relationships with commercial carriers for amounts above \$10 million per claim Coverage of \$500,000 in excess of \$500,000 per claim is reinsured with an unrelated commercial carrier FIIL also underwrites the property and casualty risks of CHI for up to \$10 million per claim Unrelated commercial insurance carriers reinsure losses in excess of the perclaim limits

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

The estimates for loss reserves are subject to the effects of trends in loss severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are reviewed periodically, with consultation from independent actuaries, and any adjustments to the loss reserves are reflected in current operations. As a result of these reviews of claims experience, estimated reserves were reduced by \$48.5 million and \$47.8 million in 2013 and 2012, respectively. The reserves for unpaid losses and loss adjustment expenses relating to the workers' compensation program were discounted, assuming a 4.0% annual return at June 30, 2013 and 2012, to a present value of \$151.2 million and \$147.1 million at June 30, 2013 and 2012, respectively, and represented a discount of \$51.3 million and \$46.3 million in 2013 and 2012, respectively. Reserves related to professional liability, employment practices and general liability are not discounted

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

CHI, through its Welfare Benefit Administration and Development Trust, provides comprehensive health and dental coverage to certain employees and dependents through a self-insured medical plan Accounts payable and accrued expenses include \$510 million and \$540 million for unpaid claims and claims adjustment expenses for CHI's self-insured medical plan at June 30, 2013 and 2012, respectively Those estimates are subject to the effects of trends in loss severity and

Notes to Consolidated Financial Statements (continued)

13. Insurance Programs (continued)

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

14. Subsequent Events

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

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

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

Supplemental Information



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Report of Independent Auditors on Supplemental Information

The Board of Stewardship Trustees Catholic Health Initiatives

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Catholic Health Initiatives as a whole The following consolidating financial information 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 our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

September 17, 2013

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Ernst + Young LLP

Consolidating Balance Sheet

June 30, 2013 (In Thousands)

	MBOs	Corporate	C'ollab Health	FIIL	CHI Welfare Benefits Trust	Other	Eliminations and Adjustments	Consolidated
Assets								
Current assets								
Cash and equivalents	\$ 263,377	\$ 330,564	\$ (190) \$	53	\$ 18,120 \$	(2.698)	\$ -	\$ 609,226
Net patient accounts receivable, less allowance								
of \$858.394	1,755,348	_	_	_	_	_	_	1.755.348
Other accounts receivable	165.547	107.082	7.620	9.892	11	25,533	(117.768)	197.917
Current portion of investments and assets limited as to use	4,829	=	6,868	_	=		=	11.697
Inventories	247,720	_	_	_	_	_	_	247,720
Assets held for sale	236,599	_	-	-	-	_	(20,822)	215,777
Prepaid and other	86,330	49.910	1.244	13	157	122	_	137,776
Total current assets	2.759.750	487.556	15,542	9.958	18,288	22.957	(138,590)	3,175,461
Investments and assets limited as to use								
Internally designated for capital and other funds	5,022,500	333,525	_	_	95,998	_	_	5,452,023
Mission and Ministry Fund	_	121,109	_	_	_	_	_	121,109
Capital Resource Pool	_	416,938	_	_	_	_	_	416,938
Held by trustees	16,726	_	_	_	_	_	_	16.726
Held for insurance purposes	57,904	_	16.053	751.928	_	_	_	825,885
Restricted by donors	265,652	673	_	_	_	_	_	266,325
Total investments and assets limited as to use	5.362.782	872,245	16.053	751.928	95,998	_	_	7.099.006
Property and equipment, net	7,034,446	750,192	784	_	=	818	=	7,786,240
Deferred financing costs	213	36,344	_	_	_	_	_	36,557
Investments in unconsolidated organizations	294,234	1,172,035	_	_	_	11,005	(1.060.458)	416,816
Intangible assets and goodwill, net	348,407	_	16,344	_	_	_	_	364,751
Notes receivable and other	118,174	3,000,584	201	23,723	_	4	(2.711.798)	430,888
Total assets	\$ 15,918,006	\$ 6,318,956	\$ 48,924 \$	785,609	\$ 114,286 \$	34,784	\$ (3,910,846)	\$ 19,309,719

Continued on following page

Consolidating Balance Sheet (continued)

June 30, 2013 (In Thousands)

		Collab			CHI Welfare	Eliminations		
	MBOs	Corporate	Health	FIIL	Benefits Trust	Other	and Adjustments	Consolidated
Liabilities and net assets								
Current liabilities								
Compensation and benefits	\$ 551,423	\$ 44,398	\$ 1.265 \$	_	\$ 1,595 \$	2,156	\$ -	\$ 600,837
Third-party liabilities	110,571	_	_	_	_	_	_	110,571
Accounts payable and accrued expenses	879,789	242,473	3,463	4,700	5(),66()	2,075	(116,230)	1,066,930
Liabilities held for sale	91,412	_	_	_	_	_	-	91,412
Variable-rate debt with self liquidity	_	321,455	_	_	_	_	_	321,455
Commercial paper and current portion of								
long-term debt	239,237	633,075	682	_	_	_	(123,377)	749,617
Total current liabilities	1,872,432	1,241,401	5,410	4,700	52,255	4.231	(239,607)	2,940,822
Pension liability	45,449	427,403						472,852
Self-insured reserves and claims	60,369	427,403	9.017	- 499,288	_	_	_	616.652
			8.917	499.288	_	_	(1.530)	
Other liabilities	551,432	148,390	1.530	_	_	_	(1.539)	698,283
Long-term debt	3,673,602	5,248,265	1,538	-	-		(2.588.420)	6,334,985
Total liabilities	6.203.284	7.113.537	15.865	503,988	52.255	4.231	(2.829.566)	11.063.594
Net assets								
Net assets attributable to CHI	9,418,781	(963,870)	22,678	281,621	62,031	30,553	(1,082,484)	7,769,310
Net assets attributable to noncontrolling interests	(4,723)	168,801	10,381	_	_	_	1,204	175,663
Unrestricted	9,414,058	(795,069)	33,059	281,621	62,031	30,553	(1,081,280)	7,944,973
Temporarily restricted	214,036	488	_	_	_	_		214,524
Permanently restricted	86,628	_	_	_	_	_	_	86,628
Total net assets	9,714,722	(794,581)	33,059	281.621	62,031	30,553	(1.081.280)	8,246,125
Total liabilities and net assets	\$ 15,918,006		\$ 48,924 \$	785,609	\$ 114,286 \$		\$ (3,910,846)	

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Consolidating Statement of Operations

Year Ended June 30, 2013 (In Thousands)

			6.11.1		CHI II II		Eliminations	
	MBOs	Corporate	Collab Health	FIIL	CHI Welfare Benefits Trust	Other	and Adjustments	Consolidated
Revenues	NEO	Corporate	Traitii	THE	Delicity 11430	Other	-xajusanenes	Consolidated
Net patient services revenues	\$ 10 021 153	S - S	- \$	-	S - S	- \$	(128 163)	\$ 9.892.990
Nonpatient								
Donations	31 078	11	-	-	-	_	_	31,089
Changes in equity of unconsolidated organizations	9 532	11 982	-	_	_	(266)	(2 192)	19,056
Investment income used for operations	13 974	_	108	52 447	-	-	_	66,529
Other	508 466	975 554	50 503	147 219	407 601	3 598	(1 394 380)	698,561
Total nonpatient revenues	563 050	987 547	50 611	199 666	407 601	3 332	(1 396 572)	815 235
Total operating revenues	10 584 203	987 547	50 611	199 666	407 601	3 332	(1 524 735)	10 708 225
Expenses								
Salaries and wages	4 147 825	265 962	1 815	-	_	8 847	(45)	4,424,404
Employee benefits	985 326	93 696	328	-	413 431	1 721	(523 678)	970.824
Purchased services medical professional fees consulting and legal	1 495 686	219 389	48 515	744	2 532	3 425	(408 513)	1.361,778
Supplies	1 827 242	5 488	48	-	_	206	_	1.832,984
Utilities	138 872	14 034	54	-	-	19	_	152,979
Rentals leases maintenance and insurance	416 421	331 352	605	150 715	_	1 087	(283 497)	616,683
Depreciation and amortization	516 929	37 720	60	-	-	355	_	555,064
Interest	115 971	170 832	101	-	-	_	(122 551)	164,353
Other	771 993	34 716	287	466	670	882	(184 258)	624,756
Total operating expenses before restructuring impairment								_
and other losses	10 416 265	1 173 189	51 813	151 925	416 633	16 542	(1 522 542)	10,703,825
Income (loss) from operations before restructuring impairment								
and other losses	167 938	(185 642)	(1 202)	47 741	(9 032)	(13 210)	(2 193)	4,400
Restructuring impairment and other losses	27 117	32 214	_	-	_	12	_	59,343
Income (loss) from operations	140 821	(217 856)	(1 202)	47 741	(9 032)	(13 222)	(2 193)	(54,943)
Nonoperating gains (losses)								
Investment income (loss) net	324 210	158 503	(425)	-	6 550	(14)	_	488,824
Loss on defeasance of bonds	-	(17 998)	_	_	_	_	_	(17.998)
Realized and unrealized (losses) gains on interest rate swaps	14 244	51 599	_	-	_	-	_	65,843
Other nonoperating gains (losses)	7 977	(40 485)	-	_	_	_	40 485	7,977
Total nonoperating (losses) gains	346 431	151 619	(425)	_	6 550	(14)	40 485	544 646
Excess (deficiency) of revenues over expenses	\$ 487,252	\$ (66,237) \$	(1,627) \$	47,741	\$ (2,482) \$	(13,236) \$	38,292	\$ 489,703
Excess of revenues over expenses attributable to noncontrolling interest	\$ 5 972	\$ (6 745) \$	736 \$	_	s - \$	_ 5	-	\$ (37)
F (16) 6 4 1 1 1 2 27	\$ 481 280			47 741	\$ (2.482) \$	(13 236) \$	38 292	<u> </u>
Excess (deficiency) of revenues over expenses attributable to CHI	p +01 280	3 (33 +32) 3	(2 303) 3	+/ /+1	3 (2 +02) 3	(15 250) 3	36 292	3 +07/+0

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