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Form **990****Return of Organization Exempt From Income Tax**

OMB No. 1545-0047

2012**Open to Public Inspection**Department of the Treasury
Internal Revenue Service

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

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

A For the 2012 calendar year, or tax year beginning JULY 01 , 2012, and ending JUNE 30 , 20 13	
B Check if applicable: ☐ Address change ☒ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization ST. MARY'S COMMUNITY HOSPITAL D Employer identification number 47-0443636 E Telephone number (402)873-3321 G Gross receipts \$ 19,566,987 H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☒ No If "No," attach a list. (see instructions) H(c) Group exemption number ▶ 0928 I Tax-exempt status: ☒ 501(c)(3) ☐ 501(c) () (insert no.) ☐ 4947(a)(1) or ☐ 527 J Website: ▶ WWW.STMARYSHOSPITALNECITY.COM K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶ L Year of formation: 1927 M State of legal domicile: NE
F Name and address of principal officer: DANIEL KELLY 1314 3RD AVENUE, NEBRASKA CITY, NE 68410	

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: ST. MARY'S IS A NOT FOR PROFIT CRITICAL ACCESS HOSPITAL THAT PROVIDES ACUTE CARE FOR THE BENEFIT OF ALL REGARDLESS OF ABILITY TO PAY AND PROMOTES HEALTH THROUGH COMMUNITY OUTREACH INITIATIVES AND PARTNERSHIPS.
	2 Check this box ☐ If the organization discontinued its operations or disposed of more than 25% of its net assets.
	3 Number of voting members of the governing body (Part VI, line 1a) 3 13
	4 Number of independent voting members of the governing body (Part VI, line 1b) 4 9
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a) 5 161
	6 Total number of volunteers (estimate if necessary) 6 35
	7a Total unrelated business revenue from Part VIII, column (C), line 12 7a 23,893
	b Net unrelated business taxable income from Form 990-T, line 34 7b 5,125
Revenue	8 Contributions and grants (Part VIII, line 1h) 123,868 170,016
	9 Program service revenue (Part VIII, line 2g) 17,356,377 18,338,609
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7) 314,496 728,163
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11) 143,236 282,119
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) 17,937,975 19,518,907
Expenses	13 Grants and similar amounts paid (Part IX, column (A), line 1) 738,825 9,161
	14 Benefits paid to or for members (Part IX, column (A), line 4) 0 0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) 7,740,978 7,494,339
	16a Professional fundraising fees (Part IX, column (A), line 11e) 0 0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) 8,557,277 9,993,321
	18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25) 17,037,080 17,496,821
	19 Revenue less expenses. Subtract line 18 from line 12 900,895 2,022,086
Net Assets or Fund Balances	20 Total assets (Part X, line 16) 19,461,918 25,237,740
	21 Total liabilities (Part X, line 26) 1,552,341 5,082,636
	22 Net assets or fund balances. Subtract line 21 from line 20 17,909,577 20,155,104

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer <i>[Signature]</i> Date 5-8-14
	JEANETTE WOJTALEWICZ, CHI NE CEO Type or print name and title
Paid Preparer Use Only	Print/Type preparer's name PAMELA KROHN Preparer's signature <i>[Signature]</i> Date 5/12/14 Check ☐ if self-employed PTIN P01210500
	Firm's name ▶ CATHOLIC HEALTH INITIATIVES Firm's EIN ▶ 47-0617373
	Firm's address ▶ 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112 Phone no. (303)298-9100
	May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

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2012 Return NE Nebraska City - St. Mary's
Community Hospital (47-0443636) - 470443636

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Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III ☐**1** Briefly describe the organization's mission:

THE ORGANIZATION'S MISSION 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 US TO EMPHASIZE HUMAN DIGNITY AND
SOCIAL JUSTICE AS WE MOVE TOWARD THE CREATION OF HEALTHIER COMMUNITIES

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code:) (Expenses \$ 11,368,378 including grants of \$ 9,161) (Revenue \$ 18,360,760)
SEE SCHEDULE H

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

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

4d Other program services (Describe in Schedule O.)
(Expenses \$ 0 including grants of \$ 0) (Revenue \$ 0)

4e Total program service expenses ▶ 11,368,378

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	☒	☐
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	☒	☐
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	☐	☒
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	☒	☐
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	☐	☒
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	☐	☒
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	☐	☒
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	☐	☒
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	☐	☒
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	☐	☒
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI	☒	☐
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	☒	☐
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	☐	☒
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX	☐	☒
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	☒	☐
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	☒	☐
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII	☐	☒
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	☒	☐
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	☐	☒
14a Did the organization maintain an office, employees, or agents outside of the United States?	☐	☒
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	☐	☒
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	☐	☒
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	☐	☒
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)	☐	☒
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	☐	☒
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	☐	☒
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	☒	☐
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	☒	☐

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Part IV Checklist of Required Schedules (continued)

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

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Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response to any question in this Part V ☐

		Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a 0		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b 0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a 161		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b ✓		
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a ✓		
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 account)?	4a		✓
b If "Yes," enter the name of the foreign country: ▶ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		✓
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		✓
c If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		✓
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		✓
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	7d		
e 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		✓
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?	9a		
b Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10 Section 501(c)(7) organizations. Enter:			
a Initiation fees and capital contributions included on Part VIII, line 12	10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b		
11 Section 501(c)(12) organizations. Enter:			
a Gross income from members or shareholders	11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state?	13a		
Note. See the instructions for additional information the organization must report on Schedule O.			
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b		
c Enter the amount of reserves on hand	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a		✓
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		

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

Section A. Governing Body and Management

		Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year	1a 13		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.			
b Enter the number of voting members included in line 1a, above, who are independent	1b 9		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		✓
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		✓
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	✓	
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5		✓
6 Did the organization have members or stockholders?	6	✓	
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	✓	
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	✓	
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a The governing body?	8a	✓	
b Each committee with authority to act on behalf of the governing body?	8b	✓	
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		✓

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

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

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ► NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)

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

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ► JEANETTE WOJTALEWICZ, 12809 WEST DODGE ROAD, OMAHA, NE 68154, (402)343-4671, FAX: (402)343-4333

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response to any question in this Part VII ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) DANIEL KELLY PRESIDENT	40 1	✓		✓				0	274,526	55,448
(2) JONATHAN STELLING BOARD VICE CHAIR/PHYSICIAN	2 40	✓		✓				0	303,697	41,658
(3) KATHRYN NELSON SECRETARY/TREASURER	1 0	✓		✓				0	0	0
(4) SCOTT VANDERVEEN BOARD CHAIR	4 0	✓		✓				0	0	0
(5) STACY BLUM BOARD MEMBER/PHYSICIAN	1 41	✓						0	303,770	41,690
(6) ROBERT LANIK SVP CHI/CEO CHI NE	1 59	✓						0	1,024,255	47,149
(7) BRETT GAY BOARD MEMBER	1 0	✓						0	0	0
(8) LIDIA BORER BOARD MEMBER	1 0	✓						0	0	0
(9) SHARON M CRUNK BOARD MEMBER	1 0	✓						0	0	0
(10) MR ERWIN FRIESEN BOARD MEMBER	1 0	✓						0	0	0
(11) MELISSA TURNER BOARD MEMBER	1 0	✓						0	0	0
(12) DAVID J PARTSCH BOARD MEMBER	1 0	✓						0	0	0
(13) JOSEPH J JOHNSON BOARD MEMBER	1 0	✓						0	0	0
(14) SHAWN CLOSNER VP OF FINANCE	40 0			✓				110,855	0	27,658

Form 990 (2012)

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) JOAN BECCARD PHARMACY DIRECTOR	40 0					✓		122,880	0	32,058
(16) SHARI LOCK CHIEF QUALITY OFFICER	40 0					✓		115,467	0	7,570
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
1b Sub-total								349,202	1,906,248	253,232
c Total from continuation sheets to Part VII, Section A								0	0	0
d Total (add lines 1b and 1c)								349,202	1,906,248	253,232

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **3**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
EARL SWENSSON ASSOCIATES, INC., 2100 WEST END AVENUE, SUITE 1200, NASHVILLE, TN 37203	ARCHITECT	930,926
SLEEP TIGHT ANESTHESIA PC, 2640 WHITAKER ROAD, NEBRASKA CITY, NE 68410	ANESTHESIA SERVICES	501,900
KETTER & ASSOCIATES, 1819 F STREET, AUBURN, NE 68305	THERAPY SERVICES	460,962

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **3**

Part VIII Statement of RevenueCheck if Schedule O contains a response to any question in this Part VIII. ☐

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	129,761			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	40,255			
	g	Noncash contributions included in lines 1a-1f: \$		20,813			
	h	Total. Add lines 1a-1f		170,016			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICES	900099	18,310,372	18,310,372		
	b	INTERCOMPANY REIMBURSEMENTS	900099	28,237	28,237		
	c			0			
	d			0			
	e			0			
	f	All other program service revenue .		0	0	0	
	g	Total. Add lines 2a-2f		18,338,609			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		224,231		-64	224,295
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
	6a	Gross rents	(i) Real	133,459			
		Less: rental expenses	(ii) Personal	31,919			
		Rental income or (loss)		101,540	0		
		d	Net rental income or (loss)		101,540		101,540
	7a	Gross amount from sales of assets other than inventory	(i) Securities	509,522	2,000		
		Less: cost or other basis and sales expenses	(ii) Other		7,590		
		Gain or (loss)		509,522	-5,590		
		d	Net gain or (loss)		503,932		503,932
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a				
		Less: direct expenses	b				
		c	Net income or (loss) from fundraising events		0		
	9a	Gross income from gaming activities. See Part IV, line 19	a				
		Less: direct expenses	b				
		c	Net income or (loss) from gaming activities		0		
	10a	Gross sales of inventory, less returns and allowances	a	8,749			
		Less: cost of goods sold	b	8,571			
		c	Net income or (loss) from sales of inventory		178		178
Miscellaneous Revenue		Business Code					
11a	CAFETERIA	722100	44,492			44,492	
b	LABORATORY SERVICES	621500	38,847		23,957	14,890	
c	MEALS ON WHEELS	624210	17,948			17,948	
d	All other revenue	900099	79,114	22,151	0	56,963	
e	Total. Add lines 11a-11d		180,401				
12	Total revenue. See instructions.		19,518,907	18,360,760	23,893	964,238	

Part IX Statement of Functional Expenses

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

Check if Schedule O contains a response to any question in this Part IX ☒**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	9,161	9,161		
2 Grants and other assistance to individuals in the United States. See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	113,097		113,097	
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	5,561,349	3,983,111	1,578,238	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	332,851	239,653	93,198	
9 Other employee benefits	1,058,000	761,760	296,240	
10 Payroll taxes	429,042	308,910	120,132	
11 Fees for services (non-employees):				
a Management	0			
b Legal	36,219		36,219	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services. See Part IV, line 17	0			
f Investment management fees	0			
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	3,087,619	1,857,637	1,229,982	0
12 Advertising and promotion	52,967	366	52,601	
13 Office expenses	845,671	508,052	337,619	
14 Information technology	1,055,923	23,179	1,032,744	
15 Royalties	0			
16 Occupancy	356,395	213,980	142,415	
17 Travel	50,755	20,709	30,046	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	48,856	7,745	41,111	
20 Interest	0			
21 Payments to affiliates	891,996		891,996	
22 Depreciation, depletion, and amortization	503,328	461,074	42,254	
23 Insurance	9,783		9,783	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a MEDICAL SUPPLIES	1,890,004	1,890,004		
b BAD DEBTS	817,551	817,551		
c REPAIRS AND MAINTENANCE	200,746	172,088	28,658	
d UNRELATED BUSINESS TAXES	18,132		18,132	
e All other expenses	127,376	93,398	33,978	0
25 Total functional expenses. Add lines 1 through 24e	17,496,821	11,368,378	6,128,443	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 SheetCheck if Schedule O contains a response to any question in this Part X ☐

		(A) Beginning of year		(B) End of year
Assets	1 Cash—non-interest-bearing	300	1	
	2 Savings and temporary cash investments	1,825,273	2	6,188,442
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	3,137,395	4	2,084,924
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	0
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L		6	0
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	285,842	8	190,889
	9 Prepaid expenses and deferred charges	49,086	9	47,085
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 18,660,488		
	b Less: accumulated depreciation	10b 10,351,480	10c	8,309,008
	11 Investments—publicly traded securities	0	11	
	12 Investments—other securities. See Part IV, line 11	10,422,683	12	8,346,013
	13 Investments—program-related. See Part IV, line 11	0	13	0
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	71,379	15	71,379
16 Total assets. Add lines 1 through 15 (must equal line 34)	19,461,918	16	25,237,740	
Liabilities	17 Accounts payable and accrued expenses	559,623	17	1,049,510
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	0
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties	0	24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	992,718	25	4,033,126
	26 Total liabilities. Add lines 17 through 25	1,552,341	26	5,082,636
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	17,906,321	27	20,151,845
	28 Temporarily restricted net assets	3,256	28	3,259
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	17,909,577	33	20,155,104
34 Total liabilities and net assets/fund balances	19,461,918	34	25,237,740	

Form **990** (2012)

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response to any question in this Part XI ☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	19,518,907
2	Total expenses (must equal Part IX, column (A), line 25)	2	17,496,821
3	Revenue less expenses. Subtract line 2 from line 1	3	2,022,086
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	17,909,577
5	Net unrealized gains (losses) on investments	5	208,423
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	15,018
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	20,155,104

Part XII Financial Statements and ReportingCheck if Schedule O contains a response to any question in this Part XII ☒

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

Form **990** (2012)

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Name of the organization

ST MARY'S COMMUNITY HOSPITAL

Employer identification number

47-0443636

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

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

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 ☐ A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E.)
- 3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vii)**. (Complete Part II.)
- 9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h.
- a ☐ Type I b ☐ Type II c ☐ Type III—Functionally integrated d ☐ Type III—Non-functionally integrated
- e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**.
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
- (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		
- (ii) A family member of a person described in (i) above?

11g(ii)		
---------	--	--
- (iii) A 35% controlled entity of a person described in (i) or (ii) above?

11g(iii)		
----------	--	--
- h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									0

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2011 Schedule A, Part II, line 14	15	%
16a 33¹/₃% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 ¹ / ₃ % or more, check this box and stop here . The organization qualifies as a publicly supported organization		☐
b 33¹/₃% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 ¹ / ₃ % or more, check this box and stop here . The organization qualifies as a publicly supported organization		☐
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		☐
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		☐
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		☐

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II.
If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ☐						

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	%
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization ☐		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization ☐		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐		

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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.**

2012

**Open to Public
Inspection**

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

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

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

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

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

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

Name of organization	Employer identification number
ST MARY'S COMMUNITY HOSPITAL	47-0443636

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

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political expenditures ► \$
- 3 Volunteer hours

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
- 4a Was a correction made? ☐ Yes ☐ No
- b If "Yes," describe in Part IV.

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ► \$
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ► \$
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ► \$
- 4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Cat No 50084S

Schedule C (Form 990 or 990-EZ) 2012

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

- A** Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).
- B** Check ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ Yes ☐ No												

4-Year Averaging Period Under Section 501(h)

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Schedule C (Form 990 or 990-EZ) 2012

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		✓	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		✓	
c Media advertisements?		✓	
d Mailings to members, legislators, or the public?		✓	
e Publications, or published or broadcast statements?		✓	
f Grants to other organizations for lobbying purposes?	✓		451
g Direct contact with legislators, their staffs, government officials, or a legislative body?		✓	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		✓	
i Other activities?		✓	
j Total. Add lines 1c through 1i			451
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		✓	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

SEE NEXT PAGE

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service
Name of the organization

Supplemental Financial Statements

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

ST MARY'S COMMUNITY HOSPITAL

Employer identification number

47-0443636

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		☐ Yes ☐ No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		☐ Yes ☐ No

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1 ► \$

(ii) Assets included in Form 990, Part X ► \$

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

a Revenues included in Form 990, Part VIII, line 1 ► \$

b Assets included in Form 990, Part X ► \$

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) CHI OIP - FIXED INCOME	4,119,864	END OF YEAR MARKET VALUE
(B) CHI OIP - EQUITY SECURITIES	4,226,149	END OF YEAR MARKET VALUE
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ▶	8,346,013	

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

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

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) CHI DEBT PROGRAM	3,530,380
(3) UNCLAIMED PROPERTY	1,141
(4) INTERCOMPANY PAYABLES	501,605
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	4,033,126

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

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

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

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

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

Part XIII Supplemental Information

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

SEE NEXT PAGE

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Department of the Treasury
Internal Revenue Service

Name of the organization
ST MARY'S COMMUNITY HOSPITAL

Employer identification number
47 0443636

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	✓	
1b If "Yes," was it a written policy?	✓	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: ☐ 100% ☐ 150% ☐ 200% ☐ Other _____ %		✓
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %		✓
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	✓	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	✓	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	✓	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		✓
6a Did the organization prepare a community benefit report during the tax year?	✓	
b If "Yes," did the organization make it available to the public?		

7 Financial Assistance and Certain Other Community Benefits at Cost

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)		365	321,938		321,938	1 97
b Medicaid (from Worksheet 3, column a)					0	0 00
c Costs of other means-tested government programs (from Worksheet 3, column b)					0	0 00
d Total Financial Assistance and Means-Tested Government Programs	0	365	321,938	0	321,938	1 97
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	10	415	154,666	4,304	150,362	0 92
f Health professions education (from Worksheet 5)	2	22	23,140		23,140	0 14
g Subsidized health services (from Worksheet 6)					0	0 00
h Research (from Worksheet 7)					0	0 00
i Cash and in-kind contributions for community benefit (from Worksheet 8)	11	8,343	23,896	11,841	12,055	0 07
j Total. Other Benefits	23	8,780	201,702	16,145	185,557	1 13
k Total. Add lines 7d and 7j	23	9,145	523,640	16,145	507,495	3 10

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 50192T

Schedule H (Form 990) 2012

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing					0	0 00
2 Economic development	1		1,463		1,463	0 01
3 Community support	1		4,209		4,209	0 03
4 Environmental improvements	1	246	2,630		2,630	0 02
5 Leadership development and training for community members					0	0 00
6 Coalition building	1		9,703		9,703	0 06
7 Community health improvement advocacy					0	0 00
8 Workforce development	2	4	1,051		1,051	0 01
9 Other					0	0 00
10 Total	6	250	19,056	0	19,056	0 12

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

- 1** Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? **1** ☒ Yes ☐ No
- 2** Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount **2** 817,551
- 3** Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit. **3** 0
- 4** Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements

Section B. Medicare

- 5** Enter total revenue received from Medicare (including DSH and IME) **5** 6,868,609
- 6** Enter Medicare allowable costs of care relating to payments on line 5 **6** 6,800,603
- 7** Subtract line 6 from line 5. This is the surplus (or shortfall) **7** 68,006
- 8** Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used
- ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other

Section C. Collection Practices

- 9a** Did the organization have a written debt collection policy during the tax year? **9a** ☒ Yes ☐ No
- b** If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI **9b** ☒ Yes ☐ No

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

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

Part V Facility Information (continued)**Section B. Facility Policies and Practices**

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

Name of hospital facility or facility reporting group ST MARY'S COMMUNITY HOSPITALFor single facility filers only: line number of hospital facility (from Schedule H, Part V, Section A) 1**Community Health Needs Assessment** (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)

- 1** During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9.

If "Yes," indicate what the CHNA report describes (check all that apply):

- a** ☒ A definition of the community served by the hospital facility
- b** ☒ Demographics of the community
- c** ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community
- d** ☒ How data was obtained
- e** ☒ The health needs of the community
- f** ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups
- g** ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs
- h** ☒ The process for consulting with persons representing the community's interests
- i** ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs
- j** ☐ Other (describe in Part VI)

- 2** Indicate the tax year the hospital facility last conducted a CHNA: 20 1 2

- 3** In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted

- 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

- 5** Did the hospital facility make its CHNA report widely available to the public?
If "Yes," indicate how the CHNA report was made widely available (check all that apply).

- a** ☒ Hospital facility's website
- b** ☒ Available upon request from the hospital facility
- c** ☐ Other (describe in Part VI)

- 6** If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)

- a** ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA
- b** ☒ Execution of the implementation strategy
- c** ☒ Participation in the development of a community-wide plan
- d** ☒ Participation in the execution of a community-wide plan
- e** ☐ Inclusion of a community benefit section in operational plans
- f** ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA
- g** ☒ Prioritization of health needs in its community
- h** ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community
- i** ☐ Other (describe in Part VI)

- 7** Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs .

- 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)?

- b** If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?

- c** If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$

	Yes	No
1	☒	☐
3	☒	☐
4	☒	☐
5	☒	☐
7	☐	☒
8a	☐	☒
8b	☐	☐

Part V Facility Information (continued)**Financial Assistance Policy**

	Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:		
9 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 ✓	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care?	10	✓
If "Yes," indicate the FPG family income limit for eligibility for free care: _ _ _ %		
If "No," explain in Part VI the criteria the hospital facility used.		
11 Used FPG to determine eligibility for providing <i>discounted</i> care?	11	✓
If "Yes," indicate the FPG family income limit for eligibility for discounted care: _ _ _ %		
If "No," explain in Part VI the criteria the hospital facility used.		
12 Explained the basis for calculating amounts charged to patients?	12 ✓	
If "Yes," indicate the factors used in determining such amounts (check all that apply):		
a ☒ Income level		
b ☒ Asset level		
c ☒ Medical indigency		
d ☒ Insurance status		
e ☒ Uninsured discount		
f ☒ Medicaid/Medicare		
g ☒ State regulation		
h ☐ Other (describe in Part VI)		
13 Explained the method for applying for financial assistance?	13 ✓	
14 Included measures to publicize the policy within the community served by the hospital facility?	14 ✓	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
a ☒ The policy was posted on the hospital facility's website		
b ☒ The policy was attached to billing invoices		
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d ☒ The policy was posted in the hospital facility's admissions offices		
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility		
f ☒ The policy was available on request		
g ☐ Other (describe in Part VI)		

Billing and Collections

15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 ✓	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP:		
a ☐ Reporting to credit agency		
b ☐ Lawsuits		
c ☐ Liens on residences		
d ☐ Body attachments		
e ☐ Other similar actions (describe in Part VI)		
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	17	✓
If "Yes," check all actions in which the hospital facility or a third party engaged:		
a ☐ Reporting to credit agency		
b ☐ Lawsuits		
c ☐ Liens on residences		
d ☐ Body attachments		
e ☐ Other similar actions (describe in Part VI)		

Schedule H (Form 990) 2012

Part V Facility Information (continued)**18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply):

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

Policy Relating to Emergency Medical Care**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?

	Yes	No
19	✓	

If "No," indicate why:

- a** ☐ The hospital facility did not provide care for any emergency medical conditions
b ☐ The hospital facility's policy was not in writing
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
d ☐ Other (describe in Part VI)

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)**20** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.

- a** ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
b ☒ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
d ☐ Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any of its 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		✓
22		✓

If "Yes," explain in Part VI.

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI.

Part V Facility Information *(continued)***Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

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

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

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

Schedule H (Form 990) 2012

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service
Name of the organization

Compensation Information
For certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990,
Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

**Open to Public
Inspection**

ST MARY'S COMMUNITY HOSPITAL

Employer identification number

47-0443636

Part I Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Travel for companions ☐ Tax indemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e.g., maid, chauffeur, chef)		
b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.		
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. ☐ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☐ Compensation survey or study ☐ Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:		
a Receive a severance payment or change-of-control payment?		✓
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	✓	
c Participate in, or receive payment from, an equity-based compensation arrangement?		✓
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.		
5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a The organization?		✓
b Any related organization?		✓
If "Yes" to line 5a or 5b, describe in Part III.		
6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a The organization?		✓
b Any related organization?		✓
If "Yes" to line 6a or 6b, describe in Part III.		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	✓	
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.		✓
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 50053T

Schedule J (Form 990) 2012

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

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

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

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation				(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	(iv) Other reportable compensation				
1 DANIEL KELLY, PRESIDENT	(i) 0 (ii) 177,901	0 63,430	0 33,195	0 43,336	0 12,112	0 329,974	0 11,271	0
2 JOAN BECCARD, PHARMACY DIRECTOR	(i) 114,875 (ii) 0	2,889 0	5,116 0	14,459 0	17,599 0	154,938 0	0 0	0
3 JONATHAN STELLING, BOARD VICE CHAIR/PHYSICIAN	(i) 0 (ii) 212,382	0 90,593	0 722	0 23,096	0 18,562	0 345,355	0 0	0
4 ROBERT LANIK, SVP CHIEF/CEO CHI NE	(i) 0 (ii) 584,152	0 188,534	0 251,569	0 33,096	0 14,053	0 1,071,404	0 152,674	0
5 STACY BLUM, BOARD MEMBER/PHYSICIAN	(i) 0 (ii) 251,656	0 37,650	0 14,464	0 23,096	0 18,594	0 345,460	0 0	0
6	(i) (ii)							
7	(i) (ii)							
8	(i) (ii)							
9	(i) (ii)							
10	(i) (ii)							
11	(i) (ii)							
12	(i) (ii)							
13	(i) (ii)							
14	(i) (ii)							
15	(i) (ii)							
16	(i) (ii)							

Schedule J (Form 990) 2012

Supplemental Information to Form 990 or 990-EZ

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

OMB No. 1545-0047

2012

Open to Public Inspection

Name of the Organization
ST MARY'S COMMUNITY HOSPITAL

Employer Identification Number
47-0443636

Return Reference	Identifier	Explanation
FORM 990, PART VI, SECTION A, LINE 1A	DELEGATE BROAD AUTHORITY TO A COMMITTEE	PURSUANT TO SECTION 8 6 OF THE BYLAWS OF ST MARY'S COMMUNITY HOSPITAL, THE EXECUTIVE COMMITTEE IS COMPOSED OF THE BOARD CHAIR, THE BOARD VICE CHAIR, THE PRESIDENT AND CEO, EACH OF WHOM SHALL SERVE AS AN EX OFFICIO VOTING MEMBER OF THE EXECUTIVE COMMITTEE, AND TWO VOTING MEMBERS APPOINTED BY THE BOARD OF DIRECTORS. EACH INDIVIDUAL APPOINTED TO THE EXECUTIVE COMMITTEE SHALL SERVE FOR A TERM OF ONE YEAR OR UNTIL HIS OR HER SUCCESSOR IS DULY APPOINTED BY THE BOARD OF DIRECTORS. THE EXECUTIVE COMMITTEE SHALL CONSIST OF ONLY DIRECTORS OF THE CORPORATION. PURSUANT TO SECTION 8 1 OF THE CORPORATION'S BYLAWS, COMMITTEES, SUCH AS THE EXECUTIVE COMMITTEE, THAT ARE GRANTED THE AUTHORITY TO ACT ON BEHALF OF THE BOARD OF DIRECTORS MAY INCLUDE ONLY DIRECTORS OF THE CORPORATION. FURTHER, PURSUANT TO SECTION 8 6 OF THE CORPORATION'S BYLAWS, THE EXECUTIVE COMMITTEE HAS AND MAY EXERCISE SUCH POWERS AS MAY BE DELEGATED TO IT BY THE BOARD OF DIRECTORS. THE EXECUTIVE COMMITTEE ALSO POSSESSES THE POWER TO TRANSACT ROUTINE BUSINESS OF THE CORPORATION IN THE INTERIM PERIOD BETWEEN REGULARLY SCHEDULED MEETINGS OF THE BOARD OF DIRECTORS.
FORM 990, PART VI, SECTION A, LINE 4	SIGNIFICANT CHANGES TO ORGANIZATIONAL DOCUMENTS	THE RESTATED ARTICLES SIMPLIFIED THE NAME OF THE HOSPITAL FROM "ST MARY'S COMMUNITY HOSPITAL, NEBRASKA CITY, NEBRASKA" TO "ST MARY'S COMMUNITY HOSPITAL" AND CHANGED THE SOLE CORPORATE MEMBER FROM CATHOLIC HEALTH INITIATIVES TO CHI NEBRASKA.
FORM 990, PART VI, SECTION A, LINE 6	CLASSES OF MEMBERS OR STOCKHOLDERS	THE SOLE MEMBER OF THE ORGANIZATION IS CHI NEBRASKA, A NEBRASKA NON-PROFIT CORPORATION.
FORM 990, PART VI, SECTION A, LINE 7A	MEMBERS OR STOCKHOLDERS ELECTING MEMBERS OF GOVERNING BODY	ACCORDING TO THE ORGANIZATION'S BYLAWS, DIRECTORS SHALL BE APPOINTED OR REFUSED BY THE CORPORATE MEMBER. THE CORPORATE MEMBER MAY APPOINT ONE OR MORE INDIVIDUALS TO THE BOARD OF DIRECTORS, AND MAY AT ANY TIME REMOVE, WITH OR WITHOUT CAUSE, ANY MEMBER OF THE BOARD OF DIRECTORS. ACCORDING TO THE ORGANIZATION'S BYLAWS, DIRECTORS OF THE CORPORATION SHALL BE APPOINTED BY THE CORPORATE MEMBER NO LATER THAN JUNE 30 OF EACH YEAR. THE NAMES AND QUALIFICATIONS OF EACH INDIVIDUAL ACCEPTED BY THE BOARD OF DIRECTORS SHALL BE SUBMITTED TO THE CORPORATE MEMBER, WHO SHALL APPOINT OR REFUSE EACH NOMINEE IN ACCORDANCE WITH THE CORPORATE MEMBER'S BYLAWS AND WITH ENDORSEMENT OF THE SENIOR VICE PRESIDENT OF OPERATIONS. THE CORPORATE MEMBER MAY UNILATERALLY APPOINT ONE OR MORE INDIVIDUALS TO THE BOARD OF DIRECTORS SHOULD THE BOARD FAIL TO FURNISH THE CORPORATE MEMBER WITH A LIST OF INDIVIDUALS QUALIFIED TO SERVE ON THE BOARD OF DIRECTORS OF THE CORPORATION.
FORM 990, PART VI, SECTION A, LINE 7B	DECISIONS REQUIRING APPROVAL BY MEMBERS OR STOCKHOLDERS	THE ORGANIZATION'S CORPORATE MEMBER IS CHI NEBRASKA. PURSUANT TO SECTION 5 4 1 OF THE ORGANIZATION'S BYLAWS, BOTH CHI NEBRASKA AND CATHOLIC HEALTH INITIATIVES ("CHI") (CHI NEBRASKA'S SOLE CORPORATE MEMBER) HAVE RESERVED POWERS AS OUTLINED IN THE CHI GOVERNANCE MATRIX. PURSUANT TO THE GOVERNANCE MATRIX THE FOLLOWING RIGHTS ARE HELD BY THE CHI NEBRASKA BOARD: • APPROVE MEMBERS OF THE ST MARY'S COMMUNITY HOSPITAL BOARD • AMENDMENT OF THE CORPORATE DOCUMENTS OF ST MARY'S COMMUNITY HOSPITAL • APPROVE REMOVAL OF A MEMBER OF THE GOVERNING BODY OF ST MARY'S COMMUNITY HOSPITAL • ADOPTION OF LONG RANGE AND STRATEGIC PLANS FOR ST MARY'S COMMUNITY HOSPITAL THE FOLLOWING RIGHTS ARE RESERVED TO THE CHI BOARD DIRECTLY OR THROUGH POWERS DELEGATED TO THE CHI CHIEF EXECUTIVE OFFICER: • SUBSTANTIAL CHANGE IN THE MISSION OR PHILOSOPHY OF ST MARY'S COMMUNITY HOSPITAL • REMOVAL OF A MEMBER OF THE GOVERNING BODY OF ST MARY'S COMMUNITY HOSPITAL • APPROVAL OF ISSUANCE OF DEBT BY ST MARY'S COMMUNITY HOSPITAL • APPROVAL OF PARTICIPATION OF ST MARY'S COMMUNITY HOSPITAL IN A JOINT VENTURE • APPROVAL OF FORMATION OF A NEW CORPORATION BY ST MARY'S COMMUNITY HOSPITAL • APPROVAL OF A MERGER INVOLVING ST MARY'S COMMUNITY HOSPITAL • APPROVAL OF THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF ST MARY'S COMMUNITY HOSPITAL • TO REQUIRE THE TRANSFER OF ASSETS BY ST MARY'S COMMUNITY HOSPITAL TO CHI TO ACCOMPLISH CHI'S GOALS AND OBJECTIVES, AND TO SATISFY CHI DEBTS PURSUANT TO SECTION 5 5 2 OF THE ORGANIZATION'S BYLAWS, CHI NEBRASKA OR CHI MAY,

Return Reference	Identifier	Explanation																									
		IN EXERCISE OF THEIR APPROVAL POWERS, GRANT OR WITHHOLD APPROVAL IN WHOLE OR IN PART, OR MAY, IN ITS COMPLETE DISCRETION, AFTER CONSULTATION WITH THE BOARD AND ITS PRESIDENT AND THE CHIEF EXECUTIVE OFFICER OF THE ORGANIZATION, RECOMMEND SUCH OTHER OR DIFFERENT ACTIONS AS IT DEEMS APPROPRIATE																									
FORM 990, PART VI, SECTION B, LINE 11B	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-FILE. ANY SUCH CHANGES ARE NOT RE-SUBMITTED TO THE BOARD																									
FORM 990, PART VI, SECTION B, LINE 12C	CONFLICT OF INTEREST POLICY	ST. MARY'S COMMUNITY HOSPITAL HAS A BOARD POLICY THAT REFERENCES THE DUALITY OF INTEREST AND CONFLICT OF INTEREST POLICIES PROVIDED BY CHI NATIONAL. AT THE ANNUAL BOARD AND BOARD COMMITTEE MEETINGS ALL MEMBERS ARE REQUESTED TO SIGN CONFLICT OF INTEREST STATEMENTS. THE SIGNED STATEMENTS ARE RETAINED IN THE ADMINISTRATIVE FILES. ALL MEMBERS ARE REQUESTED TO DECLARE POTENTIAL CONFLICTS OF INTEREST AT EACH BOARD AND/OR COMMITTEE MEETING OF THE BOARD (FINANCE, AUDIT AND COMPLIANCE COMMITTEE AND THE PERFORMANCE IMPROVEMENT COMMITTEE). IF THE BOARD FINDS THAT A CONFLICT DOES EXIST REGARDING THE AGENDA ITEMS TO BE PRESENTED FOR ACTION, MEMBERS ARE REQUESTED TO ABSTAIN FROM VOTING. IN ADDITION, A QUESTIONNAIRE IS SENT ANNUALLY TO ALL BOARD MEMBERS, TOP PAID VENDORS, AND TOP PAID EMPLOYEES ASKING THEM TO DISCLOSE ANY BUSINESS OR FAMILY RELATIONSHIPS.																									
FORM 990, PART VI, LINE 15A	PROCESS FOR DETERMINING COMPENSATION - TOP MANAGEMENT OFFICIAL	THE ORGANIZATION'S CEO'S COMPENSATION IS PAID BY CHI. CHI HAS A DEFINED COMPENSATION PHILOSOPHY. BOTH THE EXECUTIVE AND NON-EXECUTIVE COMPENSATION STRUCTURES AND RANGES ARE REVIEWED ANNUALLY IN COMPARISON TO MARKET DATA. CHI USES THE HAY GROUP AS THE INDEPENDENT THIRD PARTY TO ASSESS EXECUTIVE COMPENSATION PROGRAMS AND TO ENSURE THE REASONABLENESS OF ACTUAL SALARIES AND TOTAL COMPENSATION PACKAGES. COMPENSATION OF THE SENIOR MOST EXECUTIVES IS REVIEWED ANNUALLY. THE HAY GROUP REVIEWS BOTH CASH AND TOTAL COMPENSATION FOR OVERALL REASONABLENESS, FOR ADHERENCE TO CHI'S COMPENSATION PHILOSOPHY, AND FOR COMPARABILITY TO THE NOT-FOR-PROFIT HEALTHCARE MARKET. THIS INDEPENDENT REVIEW IS DELIVERED BY HAY GROUP TO THE HR COMMITTEE OF THE CHI BOARD OF STEWARDSHIP TRUSTEES ANNUALLY AT THEIR SEPTEMBER MEETING AND MINUTES ARE SHARED WITH THE FULL BOARD AT THE DECEMBER MEETING. THE LAST REVIEW WAS SEPTEMBER 17, 2013. IN ADDITION, IN DECEMBER 2009, HAY GROUP COMPLETED A COMPREHENSIVE REVIEW OF ALL POSITIONS AT THE LEVEL OF VICE PRESIDENT AND ABOVE TO DETERMINE AND VALIDATE APPROPRIATE COMPENSATION LEVELS. THESE LEVELS HAVE BEEN REVIEWED ANNUALLY SINCE AND REVISED BASED ON MARKET DATA, WHERE APPLICABLE.																									
FORM 990, PART VI, SECTION B, LINE 15B	PROCESS USED TO ESTABLISH COMPENSATION OF OTHER OFFICERS/KEY EMPLOYEES	ANY EXECUTIVE COMPENSATION PAID BY ST. MARY'S COMMUNITY HOSPITAL WAS SET BY THE EXECUTIVE COMMITTEE UTILIZING COMPARABILITY STUDIES TO DETERMINE OFFICER COMPENSATION AS REQUIRED BY THE ORGANIZATION'S EXECUTIVE COMPENSATION REVIEW POLICY. THE BOARD OF DIRECTORS OVERSEES THE COMPENSATION SETTING PROCESS AND ENSURES REASONABLENESS AND COMPLIANCE WITH THE ORGANIZATION'S COMPENSATION PHILOSOPHY.																									
FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC	THE ORGANIZATION'S FINANCIAL STATEMENTS AND GOVERNING DOCUMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST. THE ORGANIZATION'S FINANCIAL STATEMENTS ARE INCLUDED IN CATHOLIC HEALTH INITIATIVES' CONSOLIDATED AUDITED FINANCIAL STATEMENTS THAT ARE AVAILABLE AT WWW.CATHOLICHEALTHINIT.ORG OR AT WWW.DACBOND.ORG. THE ORGANIZATION'S CONFLICT OF INTEREST POLICY IS NOT PUBLICLY AVAILABLE.																									
FORM 990, PART IX, LINE 11G	OTHER EXPENSES	<table><tr><th>(a) Description</th><th>(b) Total Expenses</th><th>(c) Program Service Expenses</th><th>(d) Management and General Expenses</th><th>(e) Fundraising Expenses</th></tr><tr><td>CONSULTING</td><td>152,704</td><td>27,491</td><td>125,213</td><td></td></tr><tr><td>PURCHASED SERVICES</td><td>1,872,412</td><td>778,597</td><td>1,093,815</td><td></td></tr><tr><td>CONTRACT LABOR</td><td>103,911</td><td>92,957</td><td>10,954</td><td></td></tr><tr><td>OTHER EXPENSES</td><td>958,592</td><td>958,592</td><td></td><td></td></tr></table>	(a) Description	(b) Total Expenses	(c) Program Service Expenses	(d) Management and General Expenses	(e) Fundraising Expenses	CONSULTING	152,704	27,491	125,213		PURCHASED SERVICES	1,872,412	778,597	1,093,815		CONTRACT LABOR	103,911	92,957	10,954		OTHER EXPENSES	958,592	958,592		
(a) Description	(b) Total Expenses	(c) Program Service Expenses	(d) Management and General Expenses	(e) Fundraising Expenses																							
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PURCHASED SERVICES	1,872,412	778,597	1,093,815																								
CONTRACT LABOR	103,911	92,957	10,954																								
OTHER EXPENSES	958,592	958,592																									
FORM 990, PART XI, LINE 9	OTHER CHANGES IN NET ASSETS OR FUND BALANCES	<table><tr><th>(a) Description</th><th>(b) Amount</th></tr><tr><td>CHI CONNECT DEPRECIATION</td><td>15,018</td></tr></table>	(a) Description	(b) Amount	CHI CONNECT DEPRECIATION	15,018																					
(a) Description	(b) Amount																										
CHI CONNECT DEPRECIATION	15,018																										
FORM 990, PART XII, LINE 2C	CHANGE OF OVERSIGHT PROCESS OR SELECTION PROCESS	SMCH AUDIT/FINANCE COMMITTEE WAS DISBANDED 5-16-12. ANY FIDUCIARY RESPONSIBILITIES TRANSITIONED TO THE FINANCE COMMITTEE OF 'THE NETWORK' BOARD. THE NETWORK IS COMPRISED OF THE OLD CHI NEBRASKA AND THE ALEGENT-CREIGHTON SYSTEM IN OMAHA.																									

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

ST MARY'S COMMUNITY HOSPITAL

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Employer identification number

47-0443636

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) ALEGENT CREIGHTON CLINIC (47-0765154) 12809 WEST DODGE ROAD, OMAHA, NE 68154	HEALTHCARE	NE	501(C)(3)	3	ACH		✓
(2) ALEGENT CREIGHTON HEALTH (47-0757164) 12809 WEST DODGE ROAD, OMAHA, NE 68154	HEALTHCARE	NE	501(C)(3)	3	N/A		✓
(3) ALEGENT HEALTH - BERGAN MERCY HEALTH SYS (47-0484764) 7500 MERCY ROAD, OMAHA, NE 68124	HEALTHCARE	NE	501(C)(3)	3	ACH		✓
(4) ALEGENT HEALTH COMMUNITY MEMORIAL HOSPITAL OF MISSOURI VALLEY, IA (42-0776568) 631 N 8TH STREET, MISSOURI VALLEY, IA 51555	HEALTHCARE	IA	501(C)(3)	3	AHIMC		✓
(5) ALEGENT HEALTH FOUNDATION (47-0648586) 12809 WEST DODGE ROAD, OMAHA, NE 68154	FUNDRAISING	NE	501(C)(3)	7	ACH		✓
(6) ALEGENT HEALTH IMMANUEL MEDICAL CENTER (47-0376615) 6901 NORTH 72ND STREET, OMAHA, NE 68122	HEALTHCARE	NE	501(C)(3)	3	ACH		✓
(7) ALEGENT HEALTH MEMORIAL HOSPITAL, SCHUYLER, NE (47-0399853) 104 W. 17TH STREET, SCHUYLER, NE 68661	HEALTHCARE	NE	501(C)(3)	3	AHIMC		✓

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat. No. 50135Y

Schedule R (Form 990) 2012

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) See Statement												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) ALTERNATIVE INSURANCE MANAGEMENT SERVICE (84-1112049) 3900 OLYMPIC BOULEVARD, SUITE 400, ERLANGER, KY 41018	MANAGEMENT SERVICES	CO	CHI	C CORPORATION	0	6,272,746	100	✓	
(2) AMERICAN NURSING CARE (31-1085414) 1700 EDISON DRIVE, MILFORD, OH 45150	HOME HEALTH	OH	CHS	C CORPORATION	5,118,606	51,920,207	100	✓	
(3) AMERIMED, INC. (31-1158699) 1700 EDISON DRIVE, MILFORD, OH 45150	HOME HEALTH	OH	ANC	C CORPORATION	2,134,392	14,669,219	100	✓	
(4) BC HOLDING COMPANY, INC. (31-1542851) 1850 BLUEGRASS AVE, LOUISVILLE, KY 40215	FITNESS CLUB	KY	JH	C CORPORATION	0	0	100	✓	
(5) CADUCEUS MEDICAL ASSOCIATES, INC. (62-1570736) 5600 BRAINERD ROAD, SUITE 500, CHATTANOOGA, TN 37411	HEALTHCARE	TN	MHCS	C CORPORATION	0	1,008	100	✓	
(6) CAPTIVE MANAGEMENT INITIATIVES (98-0663022) PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001, CJ	CAPTIVE MANAGEMENT	CJ	CHI	C CORPORATION	0	0	100	✓	
(7) CATHOLIC HEALTH INITIATIVES CENTER FOR TRANSLATIONAL RESEARCH (27-2288511) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	RESEARCH	CO	CIRI	C CORPORATION	-2,286,538	1,241,259	100	✓	

Schedule R (Form 990) 2012

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35b, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

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

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

	(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)	ST. MARY'S COMMUNITY HOSPITAL FOUNDATION	R	223,952	
(2)				
(3)				
(4)				
(5)				
(6)				

Schedule R (Form 990) 2012

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Schedule R (Form 990) 2012

Part III

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

Return Reference	Identifier	Explanation
SCHEDULE J, PART I, LINE 3	ARRANGEMENT USED TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION	COMPENSATION FOR THE TOP MANAGEMENT OFFICIAL WAS ESTABLISHED AND PAID BY CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION. CHI USED THE FOLLOWING TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION: (1) COMPENSATION COMMITTEE, (2) INDEPENDENT COMPENSATION CONSULTANT, (3) WRITTEN EMPLOYMENT CONTRACTS, (4) COMPENSATION SURVEY OR STUDY, (5) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE.
SCHEDULE J, PART I, LINE 4A	SEVERANCE PAYMENTS	POST-TERMINATION PAYMENTS ARE ADDRESSED IN EXECUTIVE EMPLOYMENT AGREEMENTS FOR CATHOLIC HEALTH INITIATIVES ("CHI") AND RELATED ORGANIZATIONS' EMPLOYEES AT THE LEVEL OF VICE PRESIDENT AND ABOVE, INCLUDING THE MBO CEOs. THESE EMPLOYMENT AGREEMENTS REQUIRE THAT IN ORDER FOR THE EXECUTIVE TO RECEIVE POST-TERMINATION PAYMENTS, THESE INDIVIDUALS MUST EXECUTE A GENERAL RELEASE AND SETTLEMENT AGREEMENT. POST-TERMINATION PAYMENT ARRANGEMENTS ARE PERIODICALLY REVIEWED FOR OVERALL REASONABLENESS IN LIGHT OF THE EXECUTIVE'S OVERALL COMPENSATION PACKAGE. THERE WERE NO INTERESTED PERSONS THAT RECEIVED SEVERANCE OR CHANGE-OF-CONTROL PAYMENTS DURING CALENDAR YEAR 2012.
SCHEDULE J, PART I, LINE 4B	SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	DURING THE 2012 CALENDAR YEAR CATHOLIC HEALTH INITIATIVES ("CHI"), A RELATED ORGANIZATION, MAINTAINED A SUPPLEMENTAL NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR MBO CEOs AND OTHER CHI EMPLOYEES AT THE LEVEL OF SENIOR VICE PRESIDENT AND ABOVE. THE FOLLOWING REPORTABLE INDIVIDUALS WERE ELIGIBLE TO PARTICIPATE IN THAT PLAN: DANIEL KELLY AND ROBERT LANIK. DURING 2012 THE FOLLOWING CONTRIBUTIONS WERE MADE BY CHI TO THE DEFERRED COMPENSATION PLAN: DANIEL KELLY \$15,240 DURING 2012 THE FOLLOWING DISTRIBUTIONS WERE MADE BY CHI FROM THE DEFERRED COMPENSATION PLAN: DANIEL KELLY \$11,271 ROBERT LANIK \$152,674 DUE TO THE "SUPER" VESTING RULES UNDER THE CHI DEFERRED COMPENSATION PLAN, PARTICIPANTS WHO HAVE MET CERTAIN REQUIREMENTS SUCH AS TERMINATION, AGE, OR YEARS OF SERVICE ARE ELIGIBLE TO RECEIVE THEIR 2012 CONTRIBUTIONS IN CASH. THESE CASH PAYOUTS ARE INCLUDED IN THE PARTICIPANT'S REPORTABLE COMPENSATION IN COLUMN (III) OTHER REPORTABLE COMPENSATION ON SCHEDULE J PART II. DURING 2012, THE FOLLOWING CONTRIBUTIONS THAT WOULD HAVE BEEN MADE BY CHI TO THE DEFERRED COMPENSATION PLAN WERE PAID IN CASH: ROBERT LANIK \$66,797
SCHEDULE J, PART I, LINE 7	NON-FIXED PAYMENTS	DURING CALENDAR YEAR 2012, SMCH MAINTAINED A DISCRETIONARY BONUS PROGRAM AND BONUSES WERE PAID OUT TO ELIGIBLE EMPLOYEES BASED ON THE ACHIEVEMENT OF ORGANIZATIONAL TARGETS ASSOCIATED WITH PATIENT SATISFACTION, FINANCIAL PERFORMANCE AND QUALITY INITIATIVES. THEY WERE PAID AS A FIXED PERCENTAGE OF EACH PARTICIPANT'S ELIGIBLE COMPENSATION.

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, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Return Reference	Identifier	Explanation
SCHEDULE H, PART I, LINE 3C	ELIGIBILITY CRITERIA FOR FREE OR DISCOUNTED CARE	WHEN CATHOLIC HEALTH INITIATIVES (THE ULTIMATE PARENT ORGANIZATION TO ST. MARY'S COMMUNITY 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 COMPUTE TO APPROXIMATELY 200% TO 250% (AND SOMETIMES 300%) OF FPG. ST. MARY'S COMMUNITY 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.
SCHEDULE H, PART I, LINE 6A	PREPARED COMMUNITY BENEFIT REPORT	ST. MARY'S COMMUNITY HOSPITAL PREPARES ITS OWN ANNUAL WRITTEN COMMUNITY BENEFIT REPORT. ITS COMMUNITY BENEFIT REPORT IS NOT CONTAINED IN THAT OF A RELATED ORGANIZATION.
SCHEDULE H, PART I, LINE 7	COSTING METHODOLOGY USED TO CALCULATE FINANCIAL ASSISTANCE	A COST ACCOUNTING SYSTEM WAS NOT USED TO COMPUTE AMOUNTS IN THE TABLE, RATHER COSTS IN THE TABLE WERE COMPUTED USING THE ORGANIZATION'S COST-TO-CHARGE RATIO. THE COST-TO-CHARGE RATIO COVERS ALL PATIENT SEGMENTS. THE COST-TO-CHARGE RATIO FOR THE YEAR ENDED 6/30/13 WAS COMPUTED USING THE FOLLOWING FORMULA: OPERATING EXPENSE (BEFORE RESTRUCTURING, IMPAIRMENT AND OTHER LOSSES) DIVIDED BY GROSS PATIENT REVENUE $15,219,102 / 22,548,765 = 67.5\%$ WORKSHEET 2 WAS NOT USED TO DERIVE THE COST-TO-CHARGE RATIO.
SCHEDULE H, PART I, LINE 7, COLUMN(F)	BAD DEBT EXPENSE EXCLUDED FROM FINANCIAL ASSISTANCE CALCULATION	817,551
SCHEDULE H, PART I, LINE 7G	SUBSIDIZED HEALTH SERVICES	THERE ARE NO PHYSICIAN CLINICS INCLUDED IN SUBSIDIZED HEALTH SERVICES
SCHEDULE H, PART III, LINE 2	BAD DEBT EXPENSE - METHODOLOGY USED TO ESTIMATE AMOUNT	COSTING METHODOLOGY FOR AMOUNTS REPORTED ON LINE 2 IS DETERMINED USING THE ORGANIZATION'S COST/CHARGE RATIO OF 67.5%. WHEN DISCOUNTS ARE EXTENDED TO SELF-PAY PATIENTS, THESE PATIENT ACCOUNT DISCOUNTS ARE RECORDED AS A REDUCTION IN REVENUE, NOT AS BAD DEBT EXPENSE.
SCHEDULE H, PART III, LINE 3	BAD DEBT EXPENSE - METHODOLOGY USED TO ESTIMATE AMOUNT AS COMMUNITY BENEFIT	ST. MARY'S COMMUNITY 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.
SCHEDULE H, PART III, LINE 4	BAD DEBT EXPENSE - FINANCIAL STATEMENT FOOTNOTE	ST. MARY'S COMMUNITY HOSPITAL 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

Return Reference	Identifier	Explanation
		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 SERVICES REVENUE, PROVISION FOR BAD DEBTS, AND ALLOWANCES 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."
SCHEDULE H, PART III, LINE 8	COMMUNITY BENEFIT & METHODOLOGY FOR DETERMINING MEDICARE COSTS	ST. MARY'S COMMUNITY HOSPITAL IS DESIGNATED AS A CRITICAL ACCESS HOSPITAL ("CAH"). CAHS ARE RURAL COMMUNITY HOSPITALS THAT ARE CERTIFIED TO RECEIVE COST-BASED REIMBURSEMENT FROM MEDICARE. THE REIMBURSEMENT THAT CAHS RECEIVE IS INTENDED TO IMPROVE THEIR FINANCIAL PERFORMANCE AND THEREBY REDUCE HOSPITAL CLOSURES. CAHS ARE CERTIFIED UNDER A DIFFERENT SET OF MEDICARE CONDITIONS OF PARTICIPATION (COP). SHORTFALLS ARE CREATED WHEN A FACILITY RECEIVES PAYMENTS THAT ARE LESS THAN THE COSTS OF CARING FOR PROGRAM BENEFICIARIES. BECAUSE SHORTFALLS ARE BASED ON COSTS, NOT CHARGES, ST. MARY'S COMMUNITY HOSPITAL, DUE TO THEIR DESIGNATION AS A CAH, RECEIVED COST-BASED REIMBURSEMENT FOR MEDICARE PURPOSES, ST. MARY'S COMMUNITY HOSPITAL WILL NOT EXPERIENCE MEDICARE RELATED SHORTFALLS.
SCHEDULE H, PART III, LINE 9B	COLLECTION PRACTICES FOR PATIENTS ELIGIBLE FOR FINANCIAL ASSISTANCE	ST. MARY'S COMMUNITY HOSPITAL, ALONG WITH ITS AFFILIATED OUTPATIENT FACILITIES ARE PART OF CATHOLIC HEALTH INITIATIVES "CHI". CHI HAS A WRITTEN POLICY (STEWARDSHIP POLICY NO. 16) GOVERNING THE PROCEDURES FOR COLLECTIONS OF PAST DUE ACCOUNTS. ALL HOSPITAL FACILITIES INCLUDED IN THE FILING ORGANIZATION HAVE ADOPTED THIS POLICY AND FOLLOW THESE PRACTICES WITH REGARDS TO COLLECTIONS: PROCEDURES CHI ENTITIES WILL FOLLOW STANDARD PROCEDURES IN COLLECTING SELF-PAY BALANCES AS FOLLOWS: PERMISSIBLE COLLECTIONS ACTIVITY EACH FACILITY MUST ADHERE TO THE FOLLOWING REQUIREMENTS IN RELATION TO THE PURSUIT OF SELF-PAY BALANCES: • FAIR PURSUIT. EACH FACILITY SHALL ENSURE THAT ALL PATIENT AND PATIENT GUARANTOR ACCOUNTS ARE PURSUED FAIRLY. • ETHICS AND INTEGRITY. EACH FACILITY SHALL ENSURE THAT ALL COLLECTION ACTIVITIES CONSISTENTLY REFLECT THE HIGHEST STANDARDS OF ETHICS AND INTEGRITY. • REASONABLE PAYMENT TERMS. EACH FACILITY SHALL OFFER REASONABLE PAYMENT SCHEDULES AND TERMS TO EACH PATIENT AND PATIENT GUARANTOR WITH SELF-PAY BALANCES. ALL COLLECTION ACTIVITIES CONDUCTED BY THE FACILITY OR ITS THIRD-PARTY COLLECTION AGENTS WILL BE IN CONFORMANCE WITH ALL FEDERAL AND STATE LAWS GOVERNING DEBT COLLECTION PRACTICES. COLLECTION ACTIVITY MAY BE IN THE FORM OF LETTERS, EMAILS, PHONE CALLS, AND/OR CREDIT REPORTING AND MAY ALSO INCLUDE WAGE GARNISHMENTS, PLACING OF LIENS ON BUILDINGS OR RESIDENCES OTHER THAN PERSONAL RESIDENCES, INITIATION OF LAWSUIT, AND/OR OTHER ACTIONS AS REQUIRED, EXCEPT AS PROHIBITED BY IMPERMISSIBLE COLLECTIONS ACTIONS BELOW. PRE-COLLECTIONS ACTIVITY • TIMING. GENERALLY, ACCOUNTS WILL NOT BE REFERRED TO COLLECTIONS UNTIL THEY ARE 120 DAYS OLD. HOWEVER, IN CIRCUMSTANCES WHERE INVOICES TO NON-MEDICARE PATIENTS ARE RETURNED UNDELIVERED WITH NO KNOWN ADDRESS, THOSE SELF-PAY BALANCES MAY BE REFERRED TO COLLECTIONS PRIOR TO EXPIRATION OF 120 DAYS. • LIMITATIONS – FINANCIAL ASSISTANCE ELIGIBILITY. THE FACILITY SHALL PERFORM A REASONABLE REVIEW OF EACH PATIENT ACCOUNT PRIOR TO TURNING AN ACCOUNT OVER TO A THIRD-PARTY COLLECTION AGENT AND PRIOR TO INSTITUTING ANY LEGAL ACTION FOR NON-PAYMENT (INCLUDING, BUT NOT LIMITED TO, REPORTING THE ACCOUNT TO A COLLECTION AGENCY) TO ENSURE THAT THE PATIENT AND PATIENT GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSISTANCE PROGRAM (E.G., MEDICAID) AND DO NOT QUALIFY FOR COVERAGE THROUGH THE FACILITY'S FINANCIAL ASSISTANCE POLICY. THAT REASONABLE REVIEW WILL INCLUDE ONE OR MORE OF THE FOLLOWING: A. NOTIFICATION TO PATIENT OF THE AVAILABILITY OF FINANCIAL ASSISTANCE ON ADMISSION, PRIOR TO DISCHARGE, AND/OR IN THE BILLING PROCESS, B. REVIEW OF FINANCIAL ASSISTANCE APPLICATION SUBMITTED BY OR ON BEHALF OF THE PATIENT, OR C. REVIEW OF THE PATIENT'S ELIGIBILITY USING PATIENT ACCOUNT STATISTICAL SCORING SOFTWARE.

Return Reference	Identifier	Explanation
		• COOPERATING EFFORTS NO FACILITY SHALL SEND ANY UNPAID SELF-PAY ACCOUNT TO A THIRD-PARTY COLLECTION AGENT AS LONG AS THE PATIENT AND PATIENT GUARANTOR ARE COOPERATING WITH THE FACILITY IN EFFORTS TO SETTLE THE ACCOUNT BALANCE WITHIN A REASONABLE TIME FRAME (GENERALLY 18 MONTHS) • SUBSEQUENT ASSESSMENT AFTER HAVING BEEN TURNED OVER TO A THIRD-PARTY COLLECTION AGENT, ANY ACCOUNT THAT SUBSEQUENTLY IS DETERMINED TO QUALIFY FOR FINANCIAL ASSISTANCE SHALL BE RETURNED IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO THE FACILITY FOR APPROPRIATE FOLLOW-UP. CHI SHALL DIRECT ITS STAFF AND THIRD-PARTY COLLECTION AGENTS TO CONTINUALLY ASSESS EACH PATIENT AND PATIENT GUARANTOR'S ABILITY TO PAY OR TO BE DETERMINED ELIGIBLE FOR FINANCIAL ASSISTANCE COLLECTIONS THE FACILITY MAY USE A THIRD-PARTY COLLECTION AGENT AS A REPRESENTATIVE, ACTING IN THE NAME OF THE FACILITY AND ENGAGED ON A CONTRACTUAL BASIS, FOR THE EXPRESS PURPOSES OF FOLLOWING-UP ON AND POTENTIALLY COLLECTING ANY PATIENT ACCOUNTS RECEIVABLE BALANCES THE FACILITY SHALL CONTRACTUALLY DEFINE THE STANDARDS AND SCOPE OF PRACTICES TO BE USED BY THIRD-PARTY COLLECTION AGENTS. THOSE STANDARDS AND SCOPE OF PRACTICES SHALL BE CONSISTENT WITH THIS POLICY AND SHALL, AT A MINIMUM, INCLUDE THE FOLLOWING: • STATEMENT MESSAGE THE FACILITY SHALL REQUIRE ITS THIRD-PARTY COLLECTION AGENTS TO INCLUDE A MESSAGE ON ALL STATEMENTS INDICATING THAT IF A PATIENT OR PATIENT GUARANTOR MEETS CERTAIN STIPULATED INCOME REQUIREMENTS, THE PATIENT OR PATIENT GUARANTOR MAY BE ELIGIBLE FOR FACILITY OR OTHER FINANCIAL ASSISTANCE PROGRAMS • ADVANCE SETTLEMENT APPROVALS THE FACILITY SHALL INSTRUCT ITS THIRD-PARTY COLLECTION AGENTS TO SEEK APPROVAL FROM THE AUTHORIZED AND DESIGNATED FACILITY STAFF MEMBER BEFORE ANY SETTLEMENT, AS A RESULT OF BANKRUPTCY PROCEEDINGS, SHALL BE ACCEPTED • STANDARDS OF CONDUCT THE FACILITY SHALL REQUIRE THAT THE THIRD-PARTY COLLECTION AGENTS CONDUCT THEMSELVES IN COMPLIANCE WITH THE HIGHEST STANDARDS OF BUSINESS ETHICS AND INTEGRITY AND APPLICABLE LEGAL REQUIREMENTS, AS REFLECTED IN THE CHI STANDARDS OF CONDUCT, AS MAY BE AMENDED BY CHI, AVAILABLE AT THE FOLLOWING WEBSITE: HTTP://WWW.CATHOLICHEALTHINITIATIVES.ORG/CORPORATERESPONSIBILITY • PROHIBITED COLLECTIONS ACTIONS THE FACILITY SHALL PROHIBIT THE THIRD-PARTY COLLECTION AGENTS FROM ENGAGING IN PROHIBITED COLLECTIONS ACTIONS AS DEFINED IN IMPERMISSIBLE COLLECTIONS ACTIONS BELOW • ANNUAL ADHERENCE AUDIT. THE FACILITY OR ITS DESIGNEE SHALL BE PERMITTED TO AUDIT ITS THIRD-PARTY COLLECTION AGENTS AT LEAST ANNUALLY FOR ADHERENCE TO THESE STANDARDS IMPERMISSIBLE COLLECTIONS ACTIONS CHI ENTITIES SHALL DIRECT THEIR STAFF AND THIRD-PARTY COLLECTION AGENTS THAT THE FOLLOWING ACTIONS ARE ALWAYS PROHIBITED IN RELATION TO THE PURSUIT OF SELF-PAY BALANCES. • UNEMPLOYED WITHOUT SIGNIFICANT INCOME/ASSETS NO FACILITY SHALL PURSUE ANY LEGAL ACTION FOR NON-PAYMENT OF ANY BILLS AGAINST ANY PATIENT OR PATIENT GUARANTOR WHO IS KNOWN TO BE UNEMPLOYED AND WHO HAS BEEN DETERMINED IN ACCORDANCE WITH CHI STEWARDSHIP POLICY NO. 15, HOSPITAL FINANCIAL ASSISTANCE, ON THE BASIS OF A COMPLETED FINANCIAL ASSISTANCE APPLICATION, TO BE WITHOUT SIGNIFICANT INCOME OR ASSETS • PRINCIPAL RESIDENCE NO FACILITY SHALL PURSUE ANY LEGAL ACTION AGAINST ANY PATIENT OR PATIENT GUARANTOR BY SEEKING A REMEDY THAT WOULD INVOLVE FORECLOSING UPON THE PRINCIPLE RESIDENCE OF A PATIENT OR PATIENT GUARANTOR, PLACING A LIEN ON THE PRINCIPAL RESIDENCE, TAKING ANY OTHER ACTION THAT COULD RESULT IN THE INVOLUNTARY SALE OR TRANSFER OF SUCH RESIDENCE, OR INFORMING ANY PATIENT OR PATIENT GUARANTOR THAT HE/SHE MAY BE SUBJECT TO ANY SUCH ACTION • OTHER IMPERMISSIBLE COLLECTION TACTICS A NO FACILITY SHALL CHARGE INTEREST ON OUTSTANDING BALANCES, B NO FACILITY SHALL REQUIRE PATIENTS OR PATIENT GUARANTORS TO INCUR DEBT OR LOANS WITH RECOURSE TO THE PATIENT'S OR GUARANTOR'S PERSONAL OR REAL PROPERTY ASSETS ("RECOURSE INDEBTEDNESS"), AND C NO FACILITY SHALL INVOKE SO-CALLED "BODY ATTACHMENTS" (I.E., THE ARREST OR JAILING OF PATIENTS IN DEFAULT ON THEIR ACCOUNTS, SUCH AS FOR MISSED COURT APPEARANCES) IN ADDITION TO THE WRITTEN POLICY 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

Return Reference	Identifier	Explanation	
		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	
SCHEDULE H, PART V SECTION B, LINE 3	COMMUNITY SERVED BY NEEDS ASSESSMENT	(a) Facility	(b) Explanation
		(1) ST. MARY'S COMMUNITY HOSPITAL	IN COOPERATION WITH THE SOUTHEAST DISTRICT HEALTH DEPARTMENT AND COMMUNITY MEMORIAL HOSPITAL, SMCH CONVENED FOCUS GROUPS OF COMMUNITY LEADERS ON JULY 9, 2012 AND AUGUST 6, 2012 TO DETERMINE THE HIGH LEVEL NEEDS AND PRIORITIES FOR COMMUNITY HEALTH IN OTOE COUNTY AND THE SURROUNDING AREA PARTICIPANTS IN THE JULY 9TH AND AUGUST 6TH FOCUS GROUPS INCLUDED THE FOLLOWING BROAD-BASED REPRESENTATION OF COMMUNITY LEADERS FAMILIAR WITH THE HEALTH NEEDS OF THE COUNTY TAMMI THOMPSON, ST. MARY'S COMMUNITY HOSPITAL TRACI REUTER, ST. MARY'S COMMUNITY HOSPITAL ANNE GIBBS, CARGILL STEPHANIE SHRADER, NEBRASKA CITY ECONOMIC DEVELOPMENT LAURA LEE FOSSENBERGER, COMMUNITY MEMORIAL HOSPITAL TRACY WIECKHORST, NEBRASKA CITY HOUSING AUTHORITY DR. CAROL THURMAN, NC PUBLIC SCHOOLS AND BEHAVIORAL HEALTH PRIVATE PRACTICE RODNEY TURPEL, NC RESCUE SQUAD ANDREW SNODGRASS, NC RESCUE SQUAD BRENDA SEBEK, ST. MARY'S COMMUNITY HOSPITAL MARY BENNETT, SOUTHEAST NEBRASKA COMMUNITY ACTION JOE JOHNSON, NEBRASKA CITY'S CITY ADMINISTRATOR JACKI SCHMITZ, PARTNERS FOR OTOE COUNTY DON DAVIS, NEBRASKA DEPT OF HEALTH AND HUMAN SERVICES TIM WILSON, SYRACUSE RESCUE SQUAD CAROL LINQUIST, SYRACUSE RESCUE SQUAD ROY SCHNEIDER, DUFFS'S FRIENDSHIP VILLAGE (NURSING HOME) MICHAEL HARVEY, COMMUNITY MEMORIAL HOSPITAL DR. STACY BLUM, NEBRASKA CITY MEDICAL CLINIC SALLIE AGENA, SYRACUSE PUBLIC SCHOOLS, GUIDANCE COUNSELOR K-8 CAROLYN GIGSTAD, SYRACUSE CHAMBER OF COMMERCE KAREN FRITSCHLE, WORLD OF THE AGING (WOTA) RONALD FRITSCHLE, WORLD OF THE AGING (WOTA) AMY ALLGOOD, NEBRASKA CITY TOURISM AND COMMERCE SHANE ALLGOOD, COMMUNITY MEMBER, YOUTH WRESTLING COACH BOB MOSER, U SAVE PHARMACY JUAN ANDRÉS FERNÁNDEZ MARTÍNEZ, HISPANIC PASTOR AND ENGLISH AS A SECOND LANGUAGE (ESL) INSTRUCTOR CHIEF DAVID LACY, NEBRASKA CITY POLICE DEPT KEITHA THOMSON, NEBRASKA CITY FOOD PANTRY"
SCHEDULE H, PART V SECTION B, LINE 4	OTHER HOSPITAL FACILITIES INCLUDED IN NEEDS ASSESSMENT	(a) Facility	(b) Explanation
		(1) ST. MARY'S COMMUNITY HOSPITAL	SYRACUSE COMMUNITY MEMORIAL HOSPITAL
SCHEDULE H, PART V SECTION B, LINE 7	NEEDS NOT ADDRESSED IN NEEDS ASSESSMENT	(a) Facility	(b) Explanation
		(1) ST. MARY'S COMMUNITY HOSPITAL	SOME AREAS THAT WERE IDENTIFIED (EXAMPLE DRUG AND ALCOHOL USE) ARE ALREADY BEING ADDRESSED BY OTHER COMMUNITY GROUPS
SCHEDULE H, PART V SECTION B, LINE 10	USED FEDERAL POVERTY GUIDELINES (FPG) TO DETERMINE ELIGIBILITY	(a) Facility	(b) Explanation
		(1) ST. MARY'S COMMUNITY HOSPITAL	HUD LOW INCOME GUIDELINES USED
SCHEDULE H, PART V SECTION B, LINE 11	USED FPG TO DETERMINE ELIGIBILITY FOR PROVIDING DISCOUNTED CARE CRITERIA	(a) Facility	(b) Explanation
		(1) ST. MARY'S COMMUNITY HOSPITAL	HUD LOW INCOME GUIDELINES USED
SCHEDULE H, PART VI	LINES 2, 3, 4, & 5 NEEDS ASSESSMENT AND COMMUNITY INFORMATION	ORGANIZATION'S MISSION, VISION, AND TAX-EXEMPT PURPOSE ST. MARY'S COMMUNITY HOSPITAL WAS FOUNDED TO ALLEVIATE A SHORTAGE OF HOSPITAL BEDS IN THE COMMUNITY IN 1927 AS A CATHOLIC HOSPITAL. ST. MARY'S EMBRACED THE MISSION OF THE FOUNDING RELIGIOUS CONGREGATION, WHICH HAS SINCE JOINED WITH OTHER RELIGIOUS CONGREGATIONS TO FORM CATHOLIC HEALTH INITIATIVES. THE MISSION	

Return Reference	Identifier	Explanation
		OF ST MARY'S IS TO DEVELOP A HEALTHY COMMUNITY AND PROVIDE CARE TO ALL IN NEED IT HAS A BOARD OF DIRECTORS THAT IS COMPRISED OF INDEPENDENT COMMUNITY REPRESENTATIVES ST MARY'S OPERATES A 24-HOUR EMERGENCY ROOM 365 DAYS PER YEAR THAT EMERGENCY ROOM IS OPEN TO ALL INDIVIDUALS REGARDLESS OF ABILITY TO PAY ST MARY'S HAS AN OPEN MEDICAL STAFF, PARTICIPATES IN MEDICARE AND MEDICAID, AND HAS AN ACTIVE CHARITY CARE PROGRAM COMMUNITY SERVICE HAS ALWAYS BEEN AT THE CORE OF ST MARY'S ACTIVITIES EACH YEAR, SERVICES AND PROGRAMS ARE EXPANDED TO PROMOTE A HEALTHY COMMUNITY THE PROGRAMS AND SERVICES DESCRIBED THROUGHOUT THIS REPORT NOT ONLY SERVE THE COMMUNITY, BUT ALSO REDUCE THE BURDENS ON THE GOVERNMENT. FOR EXAMPLE, IF ST MARY'S DID NOT PROVIDE CHARITY CARE, THE BURDEN OF PROVIDING CHARITY CARE WOULD FALL ON A GOVERNMENT-SUPPORTED INSTITUTION ST MARY'S COMMUNITY HOSPITAL IS INCLUDED IN THE OFFICIAL CATHOLIC DIRECTORY AS A TAX-EXEMPT HOSPITAL COMMUNITY BENEFIT APPROACH LOCATED IN NEBRASKA CITY, NEBRASKA, ST MARY'S COMMUNITY HOSPITAL SERVES OTOE COUNTY, NEBRASKA AND THE SURROUNDING COUNTIES IN SOUTHEAST NEBRASKA AS WELL AS SOUTHWEST IOWA THIS ENCOMPASSES THE HOSPITALS HOME ZIP CODE AREA AND THE 11 NEIGHBORING ZIP CODES OTOE COUNTY HAS A POPULATION OF 15,740 ALMOST ONE HALF OF THE COUNTY'S POPULATION RESIDE IN NEBRASKA CITY WHILE THE OTHER HALF LIVE IN AND NEAR ONE OF THE NINE OTHER COMMUNITIES OTOE COUNTY THE MOST RECENT 2011 ESTIMATES BASED ON THE LAST OFFICIAL COUNT FROM 2010 FROM THE U S CENSUS BUREAU REFLECT OTOE COUNTY AS AN OLDER AND MORE DIVERSE COMMUNITY OTOE COUNTY HAS A MEDIAN AGE OF 39 1 OTOE COUNTY MEDIAN HOUSEHOLD INCOME \$46,160 OTOE COUNTY UNEMPLOYMENT RATE 3 9% OTOE COUNTY, PERCENTAGE OF PERSONS LIVING BELOW THE POVERTY LINE: 12 2% OTOE COUNTY HISPANIC POPULATION 5 1% MEDICALLY UNDERSERVED POPULATION 11 2% UNINSURED THE BABY BOOMERS BORN BETWEEN 1946 AND 1964 ARE THE LARGEST GENERATION WITH MANY REACHING THE STATUS OF A SENIOR CITIZEN CITY OF NEBRASKA CITY. LARGEST POPULATION IS WHITE 91 5% HISPANIC POPULATION 7 5% MEDIAN INCOME \$55,350 JOBS HAVE DECREASED BY 70 SINCE 12/31/2011 ST. MARY'S COMMUNITY HOSPITAL HAS BEEN COMMITTED TO IMPROVING THE HEALTH OF THE COMMUNITIES IT SERVES FOR A NUMBER OF YEARS IN 2004, ST MARY'S OFFICIALLY LAUNCHED THE HEALTHY COMMUNITIES COALITION PROCESS TO LOOK AT AREA HEALTH ISSUES, SET PRIORITIES AND PLAN FOR IMPROVEMENT A WIDE VARIETY OF CITIZENS FROM THE PUBLIC AND PRIVATE SECTORS PARTICIPATED IN THIS PROCESS ST MARY'S CONTINUES OUR DEEP COMMITMENT AND INVOLVEMENT IN THE COMMUNITY HEALTH COLLABORATIVE TODAY. PROCESS ST MARY'S COMMUNITY HOSPITAL'S COMMUNITY BENEFIT PLAN IS BASED ON OUR UNDERSTANDING OF UNIQUE COMMUNITIES' NEEDS DERIVED FROM COLLABORATIVE NEEDS ASSESSMENTS, FOCUS GROUPS, AND SURVEYS CONDUCTED WITH OUR COMMUNITY PARTNERS IN 2007, ST MARY'S COMMUNITY HOSPITAL'S HEALTHY COMMUNITIES COALITION AND OTOE COUNTY COALITION MERGED TO FORM PARTNERS FOR OTOE COUNTY (P4OC) COALITION. THE COALITION STRIVES TO MAXIMIZE RESOURCES (FINANCIAL AND HUMAN), REDUCE DUPLICATION OF WORK AND EFFECTIVELY MEET THE NEEDS AND PRIORITIES OF NEBRASKA CITY AND OTOE COUNTY P4OC ENCOURAGES INDIVIDUALS, ORGANIZATIONS AND INSTITUTIONS TO TAKE RESPONSIBILITY FOR IMPROVING THE HEALTH AND QUALITY OF LIFE IN THEIR COMMUNITIES P4OC HAS BEEN WORKING FOR SEVERAL YEARS TO MEASURE AND IMPROVE THE HEALTH STATUS OF THE COMMUNITY SUMMARY OF ASSESSMENT FINDINGS ST MARY'S COMMUNITY HOSPITAL IN COLLABORATION WITH PARTNER FOR OTOE COUNTY (P4OC) COALITION COMPLETED THE HEALTHY COMMUNITIES' ASSESSMENT PROCESS IN 2007. IN SUBSEQUENT YEARS, ST MARY'S HAS WORKED WITH COMMUNITY PARTNERS TO CONDUCT ADDITIONAL FOCUS GROUPS AND SURVEYS TO GAUGE COMMUNITY NEEDS THESE PROCESSES IDENTIFIED ISSUES HAVING A SIGNIFICANT IMPACT ON THE OVERALL HEALTH OF THE POPULATION OF NEBRASKA CITY AND OTOE COUNTY FROM THESE IDENTIFIED ISSUES, P4OC DEVELOPED GOALS IN FISCAL YEAR 2010, THE GOAL AREAS WERE EVALUATED TO BETTER RESPOND TO COMMUNITY NEEDS THE OVERARCHING COALITION GOAL IS TO BUILD A COMMUNITY WHERE EVERY FAMILY THRIVES KEY FACTORS IDENTIFIED AS HAVING THE GREATEST IMPACT ON THE OVERALL WELLNESS OF THE AREA CURRENTLY GUIDE ST. MARY'S COMMUNITY HOSPITAL COMMUNITY BENEFIT PLAN AND INCLUDE THE FOLLOWING •HEALTHY LIFESTYLES AND BEHAVIORS •VIOLENCE PREVENTION •CHILD AND MATERNAL HEALTH

Return Reference	Identifier	Explanation
		•ACCESS TO BASIC NEEDS/COMMUNITY HEALTH SERVICES •EDUCATIONAL PROGRAMS QUALITATIVE DESCRIPTION OF COMMUNITY BENEFIT COMMUNITY OUTREACH FOR THE POOR ST MARY'S COMMUNITY HOSPITAL IS DEDICATED TO SERVING ALL PEOPLE IN OUR COMMUNITY REGARDLESS OF ABILITY TO PAY. ST MARY'S COMMUNITY HOSPITAL'S CHARITY CARE POLICY PROVIDES FOR UNCOMPENSATED OR DISCOUNTED MEDICAL SERVICES FOR INDIVIDUALS WHO HAVE DEMONSTRATED NEED IN EXCESS OF INSURANCE, PERSONAL RESOURCES, AND FUNDS AVAILABLE THROUGH FEDERAL, STATE, AND LOCAL MEDICAL FUNDING PROGRAMS. CHARITY CARE MAY BE PROVIDED TO PATIENTS WHO ARE UNINSURED, UNDERINSURED, OR DETERMINED TO BE MEDICALLY INDIGENT. ST MARY'S COMMUNITY HOSPITAL PROVIDES SUPPORT TO LOW INCOME FAMILIES IN THE REGION THROUGH VARIOUS OUTREACH INITIATIVES. IN FISCAL YEAR 2013, ST MARY'S HOSTED ITS ANNUAL BACK TO SCHOOL EVENT. THIS OUTREACH PROGRAM BENEFITED LOW INCOME CHILDREN AND FAMILIES IN THE REGION AND WAS DEVELOPED IN RESPONSE TO AN IDENTIFIED NEED. THIS INITIATIVE SERVED OVER 320 AREA CHILDREN AND PROVIDED SCHOOL SUPPLIES AS WELL AS EDUCATIONAL MATERIALS TO SUPPORT A HEALTHY LIFESTYLE. ST MARY'S, IN A COLLABORATIVE COMMUNITY EFFORT, WORKED TO HELP AREA FAMILIES WHO REQUESTED AND QUALIFIED FOR ASSISTANCE THROUGH THE SOUTHEAST NEBRASKA COMMUNITY ACTION AND THE NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES. COMMUNITY OUTREACH FOR THE BROADER COMMUNITY IN COLLABORATION WITH THE UNIVERSITY OF NEBRASKA MEDICAL CENTER (UNMC), ST MARY'S SERVES AS A TELEMEDICINE HOST SITE. TELEMEDICINE IS THE USE OF MEDICAL INFORMATION EXCHANGED FROM ONE SITE TO ANOTHER VIA ELECTRONIC COMMUNICATION TO IMPROVE A PATIENT'S HEALTH STATUS. THIS IMPORTANT SERVICE PROVIDES ACCESS TO MENTAL HEALTH CARE NOT READILY AVAILABLE LOCALLY. ST MARY'S COMMUNITY HOSPITAL PROVIDES STAFF AND RESOURCES TO SUPPORT THE COMMUNITY MEALS ON WHEELS PROGRAM. ST MARY'S FOOD PREPARATION AND ORGANIZATION OF THE DELIVERY ROUTES KEEP THIS MUCH NEEDED SERVICE OPERATIONAL. THIS NUTRITION PROGRAM PROVIDES IN-HOME MEALS TO SENIORS AND OTHER HOME-BOUND PERSONS AND HELPS ENSURE A HEALTHIER COMMUNITY. ADDITIONAL COMMUNITY HEALTH SERVICES PROVIDED BY ST MARY'S THAT IMPROVE COMMUNITY HEALTH AND EXTEND BEYOND TRADITIONAL PATIENT CARE INCLUDE TELEPHONE TRIAGE SERVICES, INFANT HEARING SCREENINGS, DIABETES EDUCATION AND SMOKING CESSATION CLASSES. COLLABORATIVE EFFORTS TO IMPROVE COMMUNITY HEALTH ST MARY'S COMMUNITY HOSPITAL IN COLLABORATION WITH COMMUNITY PARTNERS PROVIDES COORDINATION, FUNDING AND RESOURCES FOR GROWING GREAT KIDS IN SOUTHEAST NEBRASKA (GGK). GGK IS A PARENTING EDUCATION PROGRAM THAT WORKS WITH FAMILIES WHO ARE PREGNANT, OR WHO HAVE CHILDREN NEWBORN TO AGE THREE. THIS PROGRAM PROVIDES A SYSTEMATIC APPROACH TO REACH OUT TO ALL FAMILIES IN THE PROGRAM AREA OFFERING COMMUNITY SUPPORT BASED ON THE FAMILIES' STRENGTHS AND INDIVIDUAL SITUATIONS; PROMOTES POSITIVE PARENT-CHILD RELATIONSHIPS; PROMOTES HEALTHY CHILDHOOD GROWTH AND DEVELOPMENT, AND ENHANCES FAMILY FUNCTIONING. GGK OFFERS A MOTHER/BABY HOME VISIT BY A REGISTERED NURSE (RN), COMMUNITY PARENTING CLASSES AND REGULARLY SCHEDULED IN-HOME VISITS BY A FAMILY RESOURCE SPECIALIST THAT MAY BE PROVIDED UP TO THE CHILD'S THIRD BIRTHDAY. IN ADDITION, THE PROGRAM WORKS TO ESTABLISH EFFECTIVE LINKAGES BETWEEN PARENTS AND COMMUNITY RESOURCES TO REDUCE DEPENDENCE ON PUBLIC ASSISTANCE AND INCREASE SELF-SUFFICIENCY. THE GOAL OF GROWING GREAT KIDS IN SOUTHEAST NEBRASKA IS TO PROMOTE POSITIVE PARENT-CHILD RELATIONSHIPS, HEALTHY CHILDHOOD GROWTH AND DEVELOPMENT; AND ENHANCE FAMILY FUNCTIONING. HEALTH PROFESSIONS EDUCATION ST MARY'S COMMUNITY HOSPITAL SERVED AS A TRAINING SITE FOR VARIOUS HEALTH CARE PROFESSIONS WHICH EXPOSE HEALTH CARE WORKERS TO THE RURAL EXPERIENCE AND ATTRACT NEW GRADUATES TO MEET FUTURE NEEDS. IN FISCAL YEAR 2012, ST MARY'S COMMUNITY HOSPITAL SERVED AS A TRAINING SITE FOR THE FOLLOWING HEALTHCARE PROFESSIONS: LABORATORY, IMAGING SERVICES, NURSING AND OCCUPATIONAL THERAPY. RESEARCH PROGRAMS ST MARY'S COMMUNITY HOSPITAL DOES NOT PROVIDE RESEARCH PROGRAMS. CONT'D
SCHEDULE H, PART VI	LINES 2, 3, 4, & 5 NEEDS ASSESSMENT AND COMMUNITY INFORMATION	COMMUNITY BUILDING ACTIVITIES AS PART OF ITS MISSION, ST MARY'S COMMUNITY HOSPITAL HELPS ENSURE COMMUNITY NEEDS ARE MET. THIS IS ONLY POSSIBLE THROUGH THE COMMUNITY ORGANIZATIONS, BUSINESSES, AND INDIVIDUALS OF ALL AGES WORKING TOGETHER FOR POSITIVE CHANGE IN OTOE COUNTY. THE PURPOSE IS DEVELOPMENT OF STRONG COLLABORATIVE RELATIONSHIPS. ST MARY'S PROVIDES DEDICATED STAFF TO SUPPORT THE WORK OF PARTNERS FOR OTOE COUNTY (P4OC). THE COALITION IS A COUNTY WIDE PARTNERSHIP OF TO MAXIMIZE COMMUNITY RESOURCES, HUMAN AND FINANCIAL, WHILE CREATING POSITIVE CHANGE AND IMPROVING THE HEALTH AND QUALITY OF LIFE FOR PEOPLE OF ALL AGES WHO LIVE, WORK, ATTEND SCHOOL AND VISIT OTOE COUNTY.
SCHEDULE H, PART VI, LINE 2	NEEDS ASSESSMENT	BETWEEN JULY 2012 AND JUNE 2013, ST MARY'S COMMUNITY HOSPITAL (HEREINAFTER KNOWN AS SMCH) DEVELOPED ITS COMMUNITY HEALTH NEEDS ASSESSMENT AND SUBSEQUENT REPORT ACCORDING TO THE GUIDELINES ESTABLISHED BY IRS.

Return Reference	Identifier	Explanation
		THE COMMUNITY HEALTH NEEDS ASSESSMENT INCLUDED THE FOLLOWING MAJOR STEPS: •COMMUNITY FOCUS GROUP IN CONJUNCTION WITH THE SOUTHEAST DISTRICT HEALTH DEPARTMENT AND COMMUNITY MEMORIAL HOSPITAL •COMMUNITY HEALTH DATA ANALYSIS •COMMUNITY HEALTH NEEDS ASSESSMENT TEAM STUDY OF COMMUNITY HEALTH PRIORITIES •COMMUNITY HEALTH NEEDS ASSESSMENT LEADERSHIP SURVEY •COMMUNITY HEALTH NEEDS ASSESSMENT CONSUMER SURVEY •FINAL REVIEW AND ANALYSIS AND DETERMINATION OF FINAL FOCUS ON COMMUNITY HEALTH NEEDS SERVED BY SMCH SMCH IDENTIFIED THE FOLLOWING PRIORITY COMMUNITY HEALTH NEEDS •CANCER AWARENESS AND ONCOLOGY SERVICES, INCLUDING CANCER AWARENESS EDUCATION AND ONCOLOGY SERVICES THROUGHOUT NEBRASKA CITY AND OTOE COUNTY AS A COMMUNITY HEALTH NEED. •WOMEN'S HEALTH AND PRENATAL CARE, EXPANDING EDUCATION AND ACCESS TO WOMEN'S HEALTH, INCLUDING PRENATAL, OBSTETRICS, AND GYNECOLOGICAL CARE •HEALTHY LIFESTYLE CHOICES FOR YOUTH AND ADULTS, INCLUDING PROMOTING WIDESPREAD POPULATION MEDICINE
SCHEDULE H, PART VI, LINE 3	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	ST. MARY'S COMMUNITY HOSPITAL INCLUDES INFORMATION CONCERNING ITS FINANCIAL ASSISTANCE POLICY ON ITS WEBSITE. IN ADDITION, ST. MARY'S COMMUNITY HOSPITAL PROMINENTLY DISPLAYS ITS FINANCIAL ASSISTANCE POLICY IN BOTH ENGLISH AND SPANISH IN OBVIOUS LOCATIONS THROUGHOUT THE HOSPITALS, INCLUDING THE EMERGENCY ROOMS AND OTHER PATIENT INTAKE AREAS. IN ADDITION, ST. MARY'S COMMUNITY HOSPITAL'S REGISTRATION CLERKS ARE TRAINED TO PROVIDE CONSULTATION TO THOSE WHO HAVE NO INSURANCE OR POTENTIALLY INADEQUATE INSURANCE CONCERNING THEIR FINANCIAL OPTIONS INCLUDING APPLICATION FOR MEDICAID AND FOR FINANCIAL ASSISTANCE UNDER ST. MARY'S COMMUNITY HOSPITAL'S FINANCIAL ASSISTANCE POLICY. UPON REGISTRATION (AND ONCE ALL EMTALA REQUIREMENTS ARE MET), PATIENTS WHO ARE IDENTIFIED AS UNINSURED (AND NOT COVERED BY MEDICARE OR MEDICAID) ARE PROVIDED WITH A PACKET OF INFORMATION THAT ADDRESSES THE FINANCIAL ASSISTANCE POLICY AND PROCEDURES INCLUDING AN APPLICATION FOR ASSISTANCE. ST. MARY'S COMMUNITY HOSPITAL'S REGISTRATION CLERKS READ THE ORGANIZATION'S MEDICAL ASSISTANCE POLICY TO THOSE WHO APPEAR TO BE INCAPABLE OF READING, AND PROVIDE TRANSLATORS FOR NON-ENGLISH-SPEAKING INDIVIDUALS. ST. MARY'S COMMUNITY HOSPITAL'S STAFF WILL ALSO ASSIST THE PATIENT/GUARANTOR WITH APPLYING FOR OTHER AVAILABLE COVERAGE (SUCH AS MEDICAID), IF NECESSARY. COUNSELORS ASSIST MEDICARE ELIGIBLE PATIENTS IN ENROLLMENT BY PROVIDING REFERRALS TO THE APPROPRIATE GOVERNMENT AGENCIES.
SCHEDULE H, PART VI, LINE 6	AFFILIATED HEALTH CARE SYSTEM	ST. MARY'S COMMUNITY HOSPITAL IN NEBRASKA CITY, NEBRASKA IS PART OF 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. ST. MARY'S OPERATES WITH ITS WHOLLY OWNED AFFILIATES AND COMMUNITY PARTNERS, ALONG WITH ITS FUNDRAISING ARM, ST. MARY'S COMMUNITY HOSPITAL FOUNDATION,, TO SERVE THE HEALTH CARE NEEDS OF THE NEBRASKA CITY AND SURROUNDING COMMUNITIES.
SCHEDULE H, PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT	NE

Part XIII

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

Return Reference	Identifier	Explanation
SCHEDULE D, PART X, LINE 2	FIN 48 (ASC 740) FOOTNOTE	ST. MARY'S COMMUNITY HOSPITAL'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 "

Part IV

Supplemental Information Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; and Part II-B, line 1i. Also, complete this part for any additional information.

Return Reference	Identifier	Explanation
SCHEDULE C, PART II-B, LINE 1	DESCRIPTION OF THE ACTIVITIES REPORTED ON LINES 1A THROUGH 1I	THE PORTION OF ORGANIZATION DUES THAT ARE RELATED TO LOBBYING ARE AS FOLLOWS AMERICAN HOSPITAL ASSOCIATION - \$325, CATHOLIC HEALTH ASSOCIATION - \$126

**Application for Extension of Time To File an
Exempt Organization Return**

OMB No 1545-1709

► **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ☒ **►**
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on *e-file for Charities & Nonprofits*.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension—check this box and complete Part I only ☐ **►**

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

		Enter filer's identifying number, see instructions
Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions	Employer identification number (EIN) or
	ST. MARY'S COMMUNITY HOSPITAL	47-0443636
	Number, street, and room or suite no. If a P.O. box, see instructions	Social security number (SSN)
	1314 3RD AVENUE	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions	
	NEBRASKA CITY, NE 68410	

Enter the Return code for the return that this application is for (file a separate application for each return)

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ► SHARON CRUNK

Telephone No. ► (402)873-8929 FAX No. ►

- If the organization does not have an office or place of business in the United States, check this box ☐ **►**
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) . If this is for the whole group, check this box ☐ . If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 1** I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until February 15, 20 14, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
- ☐ calendar year 20 or

► ☒ tax year beginning July 01, 20 12, and ending June 30, 20 13.

- 2** If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cat No 27916D

Form **8868** (Rev. 1-2013)

- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box ☒ **Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Type or print	Enter filer's identifying number, see instructions	
Name of exempt organization or other filer, see instructions. ST. MARY'S COMMUNITY HOSPITAL	Employer identification number (EIN) or 47-0443636	
Number, street, and room or suite no. If a P.O. box, see instructions. 1314 3RD AVENUE	Social security number (SSN)	
City, town or post office, state, and ZIP code For a foreign address, see instructions. NEBRASKA CITY, NE 68410		

Enter the Return code for the return that this application is for (file a separate application for each return) **0 1**

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of **SHARON CRUNK**
Telephone No. **(402)873-8929** FAX No. _____
- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 4 I request an additional 3-month extension of time until May 15, 20 14.
- 5 For calendar year _____, or other tax year beginning July 01, 20 12, and ending June 30, 20 13.
- 6 If the tax year entered in line 5 is for less than 12 months, check reason: ☐ Initial return ☐ Final return
☐ Change in accounting period
- 7 State in detail why you need the extension ADDITIONAL TIME IS NEEDED TO FILE A COMPLETE AND ACCURATE RETURN.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	\$
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	\$
c Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	\$

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature Sharon E. Crunk Title Supervisor Date 1/24/14

Form **8868** (Rev. 1-2013)

Part II Identification of Related Tax-Exempt Organizations (continued)

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(8) ALEGENT HEALTH - MERCY HOSPITAL, CORNING, IOWA (42-0782518) P O BOX 368, CORNING, IA 50841	HEALTHCARE	IA	501(C)(3)	3	AHBMHS	✓	
(9) ALVERNA APARTMENTS (41-1351177) 300 SE 8TH AVENUE, LITTLE FALLS, MN 56345	LTERM CARE	MN	501(C)(3)	9	CHI	✓	
(10) APPLETREE COURT (41-1850500) 601 OAK STREET, BRECKENRIDGE, MN 56520	SENIOR HOMES	MN	501(C)(3)	9	SFH	✓	
(11) BISHOP DRUMM RETIREMENT CENTER (42-0725196) 1111 6TH AVENUE, DES MOINES, IA 50314	LTERM CARE	IA	501(C)(3)	9	CHI-IA CORP	✓	
(12) BORNEMANN HEALTH CORPORATION (23-2187242) 2500 BERNVILLE RD, PO BOX 316, READING, PA 19603	HEALTHCARE	PA	501(C)(3)	11 - TYPE I	CHI	✓	
(13) CARRINGTON HEALTH CENTER (45-0227311) 800 NORTH 4TH STREET, CARRINGTON, ND 58421	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(14) CATHOLIC HEALTH INITIATIVES (47-0617373) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	9	N/A	✓	
(15) CATHOLIC HEALTH INITIATIVES COLORADO FOUNDATION (84-0902211) 6385 CORPORATE DRIVE, COLORADO SPRINGS, CO 80919	FUNDRAISING	CO	501(C)(3)	7	CHIC	✓	
(16) CATHOLIC HEALTH INITIATIVES INSTITUTE FOR RESEARCH AND INNOVATION (27-1050565) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(17) CATHOLIC HEALTH INITIATIVES NATIONAL FOUNDATION (27-0930004) 6385 CORPORATE DRIVE, COLORADO SPRINGS, CO 80919	FUNDRAISING	CO	501(C)(3)	9	CHI	✓	
(18) CATHOLIC HEALTH INITIATIVES-COLORADO (84-0405257) 188 INVERNESS DRIVE WEST, SUITE 500, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	3	CHI	✓	
(19) CATHOLIC HEALTH INITIATIVES-IOWA CORP DBA MERCY MEDICAL CENTER-DES MOINES (42-0680448) 1111 6TH AVENUE, DES MOINES, IA 50314	HEALTHCARE	IA	501(C)(3)	3	CHI	✓	
(20) CENTENNIAL MEDICAL GROUP, INC. (26-3946191) 2700 STEWART PARKWAY, ROSEBURG, OR 97470	PHYSICIANS	OR	501(C)(3)	9	MMC	✓	
(21) CENTRAL KANSAS MEDICAL CENTER (48-0543724) 3515 BROADWAY, GREAT BEND, KS 67530	SURGERY CNTR	KS	501(C)(3)	3	CHI	✓	
(22) CHI HEALTH CONNECT AT HOME - FARGO (27-1966847) 4816 AMBER VALLEY PARKWAY SOUTH, FARGO, ND 58104	HEALTHCARE	ND	501(C)(3)	9	CHI	✓	
(23) CHI KENTUCKY, INC (20-2741651) 3900 OLYMPIC BLVD, SUITE 400, ERLANGER, KY 41018	HEALTHCARE	KY	501(C)(3)	11 - TYPE I	CHI	✓	
(24) CHI NATIONAL HOME CARE (45-1261716) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	9	CHI NHC	✓	
(25) CHI NATIONAL SERVICES (45-2532084) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(26) CHI NEBRASKA (36-3233121) 6940 O STREET, LINCOLN, NE 68510	HEALTHCARE	NE	501(C)(3)	11 - TYPE I	CHI	✓	
(27) COMMUNITY LIMITED CARE DIALYSIS CENTER (23-7419853) 619 OAK STREET - ACCOUNTING 3 WEST, CINCINNATI, OH 45206	DIALYSIS	OH	501(C)(2)		GSH	✓	
(28) COMMUNITY MEMORIAL HOSPITAL MEDICAL SERVICE FOUNDATION, MISSOURI VALLEY IA (42-1294399) 631 N 8TH STREET, MISSOURI VALLEY, IA 51555	FUNDRAISING	IA	501(C)(3)	11 - TYPE I	AHCMH	✓	
(29) CONTINUING CARE HOSPITAL (61-1400619)	LTACH	KY	501(C)(3)	3	SJHS	✓	

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
150 NORTH EAGLE CREEK DRIVE, LEXINGTON, KY 40509							
(30) COVENANT HOME CARE (23-2018429) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HOME HEALTH	PA	501(C)(3)	11 - TYPE II	N/A	✓	
(31) ENUMCLAW REGIONAL HOSPITAL ASSOCIATION (91-0715805) 1450 BATTERSBY AVENUE, ENUMCLAW, WA 98022	HEALTHCARE	WA	501(C)(3)	3	FHS	✓	
(32) FLAGET HEALTHCARE, INC. (61-1345363) 4305 NEW SHEPHERDSVILLE ROAD, BARDSTOWN, KY 40004	HEALTHCARE	KY	501(C)(3)	3	KOH	✓	
(33) FLAGET MEMORIAL HOSPITAL FOUNDATION (56-2351341) 4305 NEW SHEPHERDSVILLE ROAD, BARDSTOWN, KY 40004	FUNDRAISING	KY	501(C)(3)	11 - TYPE I	FH	✓	
(34) FRANCISCAN FOUNDATION (91-1145592) 1717 SOUTH J STREET, TACOMA, WA 98405	FUNDRAISING	WA	501(C)(3)	9	FHS	✓	
(35) FRANCISCAN HEALTH SYSTEM (91-0564491) 1717 SOUTH J STREET, TACOMA, WA 98405	HEALTHCARE	WA	501(C)(3)	3	CHI	✓	
(36) FRANCISCAN MEDICAL GROUP (91-1939739) 1708 SOUTH YAKIMA AVENUE, TACOMA, WA 98405	HEALTHCARE	WA	501(C)(3)	9	FHS	✓	
(37) FRANCISCAN VILLA OF SOUTH MILWAUKEE (39-1093829) 3601 SOUTH CHICAGO AVENUE, SOUTH MILWAUKEE, WI 53172	HEALTHCARE	WI	501(C)(3)	9	CHI	✓	
(38) GETTYSBURG MEDICAL CENTER (46-0234354) 606 EAST GARFIELD AVENUE, GETTYSBURG, SD 57442	HEALTHCARE	SD	501(C)(3)	3	SMHC	✓	
(39) GLOBAL HEALTH INITIATIVES (20-1536108) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	MINISTRIES	CO	501(C)(3)	11 - TYPE I	CHI	✓	
(40) GOOD SAMARITAN COLLEGE OF NURSING & HEALTH SCIENCE (31-1778403) 619 OAK STREET - ACCOUNTING 3 WEST, CINCINNATI, OH 45206	EDUCATION	OH	501(C)(3)	2	GSH	✓	
(41) GOOD SAMARITAN FOUNDATION OF CINCINNATI, INC. (31-1206047) 619 OAK STREET - ACCOUNTING 3 WEST, CINCINNATI, OH 45206	FUNDRAISING	OH	501(C)(3)	11 - TYPE I	GSH	✓	
(42) GOOD SAMARITAN HOSPITAL (47-0379755) P O BOX 1990, KEARNEY, NE 68848	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(43) GOOD SAMARITAN HOSPITAL FOUNDATION (47-0659443) 111 W 31ST STREET, KEARNEY, NE 68847	FUNDRAISING	NE	501(C)(3)	7	GSH	✓	
(44) ST LUKE'S MEDICAL GROUP FKA GREATER HOUSTON HEALTH NETWORK (76-0458535) 6624 FANNIN, HOUSTON, TX 77030	PHY PRACTICES	TX	501(C)(3)	3	SLHS	✓	
(45) HEALTH S E T (84-1102943) 4200 WEST CONEJO'S PLACE, #436, DENVER, CO 80204	LOW INC.CARE	CO	501(C)(3)	7	CHIC	✓	
(46) HEALTHCARE AND WELLNESS FOUNDATION (76-0761782) 2400 ST. FRANCIS DRIVE, BRECKENRIDGE, MN 56520	FUNDRAISING	MN	501(C)(3)	11 - TYPE I	SFMC	✓	
(47) HIGHLINE MEDICAL CENTER (91-0712166) 16251 SYLVESTER RD SW, BURIEN, WA 98166	HEALTHCARE	WA	501(C)(3)	3	FHS	✓	
(48) HOSPITAL ASSOCIATION FOR ST. JOSEPH HOSPITAL (52-6050777) 7601 OSLER DRIVE, TOWSON, MD 21204	HEALTHCARE	MD	501(C)(3)	9	SJMC	✓	
(49) HOUSE OF MERCY (42-1323808) 1111 6TH AVENUE, DES MOINES, IA 50314	SHELTER	IA	501(C)(3)	7	CHI-IA CORP	✓	
(50) JEWISH HOSPITAL AND ST MARY'S HEALTHCARE INC (61-1029768) 539 S 4TH STREET, LOUISVILLE, KY 40202	HEALTHCARE	KY	501(C)(3)	3	KOH	✓	
(51) JEWISH PHYSICIAN GROUP, INC. (61-1352729) 539 S 4TH STREET, LOUISVILLE, KY 40202	HEALTHCARE	KY	501(C)(3)	9	JHSMH	✓	
(52) KENTUCKYONE HEALTH, INC FKA JH PROPERTIES, INC. (61-1029769) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	HEALTHCARE	KY	501(C)(3)	9	CHI	✓	
(53) LAKEWOOD HEALTH CENTER (41-0758434)	HEALTHCARE	MIN	501(C)(3)	3	CHI	✓	

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
600 MAIN AVENUE SOUTH, BAUDETTE, MN 56623							
(54) LINUS OAKES, INC. (93-0821381) 2700 STEWART PARKWAY, ROSEBURG, OR 97470	SENIOR LIVING	OR	501(C)(3)	9	MMC	✓	
(55) LISBON AREA HEALTH SERVICES (82-0558836) 905 MAIN STREET, LISBON, ND 58054	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(56) MEMORIAL HEALTH CARE SYSTEM FOUNDATION (62-1839548) 2525 DE SALES AVENUE, CHATTANOOGA, TN 37404	FUNDRAISING	TN	501(C)(3)	7	MHCS	✓	
(57) MEMORIAL HEALTH CARE SYSTEM, INC. (62-0532345) 2525 DE SALES AVENUE, CHATTANOOGA, TN 37404	HEALTHCARE	TN	501(C)(3)	3	CHI	✓	
(58) MEMORIAL HEALTH PARTNERS FOUNDATION, INC (03-0417049) 5600 BRAINERD ROAD, SUITE 500, CHATTANOOGA, TN 37411	HEALTHCARE	TN	501(C)(3)	9	MHCS	✓	
(59) MERCY AUXILIARY OF CENTRAL IOWA (42-6076069) 1111 6TH AVENUE, DES MOINES, IA 50314	AUXILIARY	IA	501(C)(3)	11 - TYPE I	CHI-IA CORP	✓	
(60) MERCY CLINICS, INC. (42-1193699) 1111 6TH AVENUE, DES MOINES, IA 50314	PHYSICIAN	IA	501(C)(3)	9	CHI-IA CORP	✓	
(61) MERCY COLLEGE OF HEALTH SCIENCES (42-1511682) 1111 6TH AVENUE, DES MOINES, IA 50314	EDUCATION	IA	501(C)(3)	2	CHI-IA CORP	✓	
(62) MERCY FOUNDATION OF DES MOINES, IA (23-7358794) 1111 6TH AVENUE, DES MOINES, IA 50314	FUNDRAISING	IA	501(C)(3)	7	CHI-IA CORP	✓	
(63) MERCY FOUNDATION, INC (93-6088946) 2700 STEWART PARKWAY, ROSEBURG, OR 97470	FUNDRAISING	OR	501(C)(3)	7	MMC	✓	
(64) MERCY HEALTH CARE FOUNDATION (42-1461064) P.O. BOX 368, CORNING, IA 50841	FUNDRAISING	NE	501(C)(3)	11 - TYPE I	AHMH	✓	
(65) MERCY HEALTHCARE FOUNDATION (45-0435338) 570 CHAUTAUQUA BOULEVARD, VALLEY CITY, ND 58072	FUNDRAISING	ND	501(C)(3)	11 - TYPE III - FI	MHVC	✓	
(66) MERCY HOSPITAL FOUNDATION, COUNCIL BLUFFS (42-1178204) 800 MERCY DRIVE, COUNCIL BLUFFS, IA 51503	FUNDRAISING	IA	501(C)(3)	11 - TYPE I	AHBMHS	✓	
(67) MERCY HOSPITAL OF DEVILS LAKE (45-0227012) 1031 SEVENTH STREET NE, DEVILS LAKE, ND 58301	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(68) MERCY HOSPITAL OF DEVILS LAKE FOUNDATION (35-2367360) 1031 SEVENTH STREET NE, DEVILS LAKE, ND 58301	FUNDRAISING	ND	501(C)(3)	7	CHI	✓	
(69) MERCY HOSPITAL OF VALLEY CITY (45-0226553) 570 CHAUTAUQUA BOULEVARD, VALLEY CITY, ND 58072	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(70) MERCY MEDICAL CENTER (45-0231183) 1301 15TH AVENUE WEST, WILLISTON, ND 58801	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(71) MERCY MEDICAL CENTER - CENTERVILLE (42-0680308) ONE ST. JOSEPH'S DRIVE, CENTERVILLE, IA 52544	HEALTHCARE	IA	501(C)(3)	3	CHI-IA CORP	✓	
(72) MERCY MEDICAL CENTER, INC. (93-0386868) 2700 STEWART PARKWAY, ROSEBURG, OR 97470	HEALTHCARE	OR	501(C)(3)	3	CHI	✓	
(73) MERCY MEDICAL FOUNDATION (45-0381803) 1301 15TH AVENUE WEST, WILLISTON, ND 58801	FUNDRAISING	ND	501(C)(3)	11 - TYPE I	MMC	✓	
(74) MERCY PROFESSIONAL PRACTICE ASSOCIATES, INC (42-1470935) 1111 6TH AVENUE, DES MOINES, IA 50314	PHYSICIAN	IA	501(C)(3)	9	CHI-IA CORP	✓	
(75) MLIFECARES (43-1305163) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	PROPERTY MGMT	MO	501(C)(3)	11 - TYPE I	SJPMC	✓	
(76) MNMCH, INC. (48-1216238) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	KS	501(C)(3)	3	SJPMC	✓	
(77) MT ST JOSEPH, INC (93-0386870) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	NURSING CARE	OR	501(C)(3)	11 - TYPE I	CHI	✓	

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(78) NEBRASKA HEART HOSPITAL (39-2031968) 7500 SOUTH 91ST STREET, LINCOLN, NE 68526	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(79) OAKES COMMUNITY HOSPITAL (45-0231675) 314 SOUTH 8TH STREET, OAKES, ND 58474	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	
(80) OAKES COMMUNITY HOSPITAL FOUNDATION (71-0966606) 1200 N. 7TH STREET, OAKES, ND 58474	FUNDRAISING	ND	501(C)(3)	11 - TYPE I	OCH	✓	
(81) PUEBLO STEPUP (84-1234295) 1925 EAST ORMAN AVE, SUITE G52, PUEBLO, CO 81004	COMMUNITY	CO	501(C)(3)	7	CHIC	✓	
(82) S.E.T. OF COLORADO SPRINGS, INC (84-1183335) 2864 S. CIRCLE DRIVE, SUITE 450, COLORADO SPRINGS, CO 80906	LT TERM CARE	CO	501(C)(3)	7	CHIC	✓	
(83) SAINT CLARE'S COMMUNITY CARE (22-2876836) 25 POCONO ROAD, DENVER, NJ 07834	HEALTHCARE	NJ	501(C)(3)	11 - TYPE II	SCHS	✓	
(84) SAINT CLARE'S FOUNDATION (22-2502997) 25 POCONO ROAD, DENVER, NJ 07834	FUNDRAISING	NJ	501(C)(3)	7	SCHS	✓	
(85) SAINT CLARE'S HEALTH SERVICES INC (22-3639733) 25 POCONO ROAD, DENVER, NJ 07834	MANAGEMENT	NJ	501(C)(3)	7	CHI	✓	
(86) SAINT CLARE'S HOSPITAL (22-3319886) 25 POCONO ROAD, DENVER, NJ 07834	HEALTHCARE	NJ	501(C)(3)	3	SCHS	✓	
(87) SAINT ELIZABETH FOUNDATION (47-0625523) 555 SOUTH 70TH STREET, LINCOLN, NE 68510	FUNDRAISING	NE	501(C)(3)	7	SERMC	✓	
(88) SAINT ELIZABETH HEALTH SERVICES (36-3233120) 555 SOUTH 70TH STREET, LINCOLN, NE 68510	HEALTHCARE	NE	501(C)(3)	3	SERMC	✓	
(89) SAINT ELIZABETH REGIONAL MEDICAL CENTER (47-0379836) 555 SOUTH 70TH STREET, LINCOLN, NE 68510	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(90) SAINT FRANCIS MEDICAL CENTER (47-0376601) 2620 WEST FAIDLEY, GRAND ISLAND, NE 68803	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(91) SAINT FRANCIS MEDICAL CENTER FOUNDATION (47-0630267) P.O. BOX 9804, GRAND ISLAND, NE 68802	FUNDRAISING	NE	501(C)(3)	7	SFMC	✓	
(92) SAINT JOSEPH BEEBA HOSPITAL FOUNDATION, INC. (26-0152877) 305 ESTILL STREET, BEEBA, KY 40403	FUNDRAISING	KY	501(C)(3)	7	SJHS	✓	
(93) SAINT JOSEPH HEALTH SYSTEM, INC (61-1334601) 424 LEWIS HARGETT CIRCLE, #160, LEXINGTON, KY 40503	HEALTHCARE	KY	501(C)(3)	3	CHI	✓	
(94) SAINT JOSEPH LONDON FOUNDATION, INC (26-0438748) 1001 SAINT JOSEPH LANE, LONDON, KY 40741	FUNDRAISING	KY	501(C)(3)	7	SJHS	✓	
(95) SAINT JOSEPH MEDICAL FOUNDATION, INC (31-1539059) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	PHY PRACTICES	KY	501(C)(3)	3	SJHS	✓	
(96) SAINT JOSEPH MOUNT STERLING FOUNDATION, INC (27-2884584) 225 FALCON DRIVE, MOUNT STERLING, KY 40353	FUNDRAISING	KY	501(C)(3)	7	SJHS	✓	
(97) SAINT JOSEPH'S HOSPITAL FOUNDATION (36-3418207) 30 WEST 7TH STREET, DICKINSON, ND 58601	FUNDRAISING	ND	501(C)(3)	11 - TYPE I	SJHHC	✓	
(98) SAMARITAN BEHAVIORAL HEALTH (02-0633634) 2222 PHILADELPHIA DRIVE, DAYTON, OH 45406	HEALTHCARE	OH	501(C)(3)	3	SHP	✓	
(99) SAMARITAN HEALTH FOUNDATION (23-7296923) 2222 PHILADELPHIA DRIVE, DAYTON, OH 45406	FUNDRAISING	OH	501(C)(3)	7	SHP	✓	
(100) SAMARITAN HEALTH PARTNERS (31-1107411) 110 NORTH MAIN STREET, DAYTON, OH 45402	HEALTHCARE	OH	501(C)(3)	11 - TYPE I	CHI	✓	
(101) SCHUYLER MEMORIAL HOSPITAL FOUNDATION, INC (36-3630014) 104 W. 17TH STREET, SCHUYLER, NE 68661	FUNDRAISING	NE	501(C)(3)	11 - TYPE I	AHMS	✓	
(102) SJMGROUP (43-1882377) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	PHYS PRACTICE	MO	501(C)(3)	9	SJRMCM	✓	

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(103) SJRMC, JOPLIN MISSOURI (44-0545809) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	MO	501(C)(3)	3	CHI	✓	
(104) SL AUGUSTA CORP (76-0226623) P.O. BOX 20269, HOUSTON, TX 77225	TITLE HOLDING	TX	501(C)(2)		SL PROPERTIES	✓	
(105) ST JOSEPH HEALTH MINISTRIES (23-2342997) 1929 LINCOLN HWY E, STE 150, LANCASTER, PA 17602	HEALTHCARE	PA	501(C)(3)	11 - TYPE I	CHI	✓	
(106) ST LUKE'S MEDICAL TOWER CORPORATION (76-0531713) 8624 FANNIN, SUITE 1100, HOUSTON, TX 77030	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE I	SL PROPERTIES	✓	
(107) ST ANTHONY HOSPITAL (93-0391614) 1601 S.E. COURT AVENUE, PENDLETON, OR 97801	HEALTHCARE	OR	501(C)(3)	3	CHI	✓	
(108) ST ANTHONY HOSPITAL FOUNDATION (93-0992727) 1601 S.E. COURT AVENUE, PENDLETON, OR 97801	FUNDRAISING	OR	501(C)(3)	11 - TYPE I	SA HOSPITAL	✓	
(109) ST ANTHONY'S HOSPITAL ASSOCIATION (71-0245507) FOUR HOSPITAL DRIVE, MORRILTON, AR 72110	HEALTHCARE	AR	501(C)(3)	3	SVIMC	✓	
(110) ST CATHERINE HOSPITAL (48-0543721) 401 EAST SPRUCE STREET, GARDEN CITY, KS 67846	HEALTHCARE	KS	501(C)(3)	3	CHI	✓	
(111) ST CATHERINE HOSPITAL DEVELOPMENT FOUNDATION (20-0598702) 401 EAST SPRUCE STREET, GARDEN CITY, KS 67846	FUNDRAISING	KS	501(C)(3)	11 - TYPE I	SCH	✓	
(112) ST. DOMINIC OF ONTARIO, OREGON (93-0433692) 351 S.W. 9TH STREET, ONTARIO, OR 97914	HEALTHCARE	OR	501(C)(4)		CHI	✓	
(113) ST. FRANCIS HOME (41-0729978) 2400 ST. FRANCIS DRIVE, BRECKENRIDGE, MN 56520	LTERM CARE	MN	501(C)(3)	9	CHI	✓	
(114) ST. FRANCIS LIFE CARE CORPORATION (22-2536017) 19 POCONO ROAD, DENVER, NJ 07834	ELDERLY CARE	NJ	501(C)(3)	9	SCHS	✓	
(115) ST. FRANCIS MEDICAL CENTER (41-0695598) 2400 ST. FRANCIS DRIVE, BRECKENRIDGE, MN 56520	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	
(116) ST FRANCIS OF BAKER CITY (93-0412495) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	OR	501(C)(3)	3	CHI	✓	
(117) ST JOHN'S MERCY REGIONAL FOUNDATION (43-1308084) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	FUNDRAISING	MO	501(C)(3)	7	SJPMC	✓	
(118) ST. JOSEPH COMMUNITY HEALTH (71-0897107) 300 CENTRAL AVENUE SW, ALBUQUERQUE, NM 87102	COMMUNITY	NM	501(C)(3)	11 - TYPE I	CHI	✓	
(119) ST. JOSEPH HOSPITAL FOUNDATION, INC. (61-1159649) ONE SAINT JOSEPH DRIVE, LEXINGTON, KY 40504	FUNDRAISING	KY	501(C)(3)	11 - TYPE I	SJHS	✓	
(120) ST. JOSEPH MEDICAL CENTER FOUNDATION (23-2649362) 2500 BERNVILLE ROAD, PO BOX 316, READING, PA 19603	FUNDRAISING	PA	501(C)(3)	11 - TYPE I	SJRHN	✓	
(121) ST JOSEPH MEDICAL CENTER FOUNDATION (52-1681044) 7601 OSLER DRIVE, TOWSON, MD 21204	FUNDRAISING	MD	501(C)(3)	7	SJMC	✓	
(122) ST JOSEPH MEDICAL CENTER, INC. (52-0591461) 7601 OSLER DRIVE, TOWSON, MD 21204	HEALTHCARE	MD	501(C)(3)	3	CHI	✓	
(123) ST. JOSEPH MEDICAL GROUP (20-8544021) 2500 BERNVILLE ROAD, PO BOX 316, READING, PA 19603	HEALTHCARE	PA	501(C)(3)	9	BHC	✓	
(124) ST. JOSEPH PHYSICIAN ENTERPRISE, INC (52-1311775) 7601 OSLER DRIVE, TOWSON, MD 21204	PHYSICIANS	MD	501(C)(3)	11 - TYPE I	SJMC	✓	
(125) ST. JOSEPH REGIONAL HEALTH NETWORK (23-1352211) 2500 BERNVILLE ROAD, PO BOX 316, READING, PA 19603	HEALTHCARE	PA	501(C)(3)	3	CHI	✓	
(126) ST JOSEPH'S AREA HEALTH SERVICES (41-0695603) 600 PLEASANT AVENUE, PARK RAPIDS, MN 56470	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	
(127) ST JOSEPH'S HOSPITAL AND HEALTH CENTER (45-0226429)	HEALTHCARE	ND	501(C)(3)	3	CHI	✓	

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
30 WEST 7TH STREET, DICKINSON, ND 58601							
(128) ST LUKE'S COMMUNITY DEVELOPMENT CORPORATION - THE WOODLANDS (26-0335902) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SL CDC	✓	
(128) ST LUKE'S COMMUNITY DEVELOPMENT CORPORATION - SUGAR LAND D/B/A ST LUKE'S SUGAR LAND HOSPITAL (26-1947374) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(130) ST LUKE'S HEALTH SYSTEM CORPORATION D/B/A CHI ST LUKE'S HEALTH (76-0536232) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	MANAGEMENT	TX	501(C)(3)	11 - TYPE I	CHI	✓	
(131) ST LUKE'S COMMUNITY DEVELOPMENT CORPORATION (26-0274448) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	MANAGEMENT	TX	501(C)(3)	11 - TYPE I	SLHS	✓	
(132) ST LUKE'S COMMUNITY DEVELOPMENT CORPORATION - THE VINTAGE (26-3734606) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SL CDC	✓	
(133) ST LUKE'S COMMUNITY DEVELOPMENT CORPORATION -PMC (27-3733278) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SL CDC	✓	
(134) ST LUKE'S COMMUNITY HEALTH SERVICES D/B/A ST LUKE'S THE WOODLANDS HOSPITAL (76-0536234) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(135) ST LUKE'S HEALTH SYSTEM FOUNDATION (76-0127715) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	INVESTMENT MANAGEMENT	TX	501(C)(3)	11 - TYPE I	SLHS	✓	
(136) ST LUKE'S PROPERTIES CORPORATION (76-0531716) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE I	SLHS	✓	
(137) ST LUKE'S FOUNDATION (45-3811485) 1213 HERMANN DRIVE, SUITE 855, HOUSTON, TX 77004	FUNDRAISING	TX	501(C)(3)	7	SLHS	✓	
(138) ST LUKE'S MEDICAL CENTER (74-1161938) 6624 FANNIN, HOUSTON, TX 77030	HEALTHCARE	TX	501(C)(3)	3	SLHS	✓	
(139) ST MARY'S COMMUNITY HOSPITAL (47-0443636) 1314 3RD AVENUE, NEBRASKA CITY, NE 68410	HEALTHCARE	NE	501(C)(3)	3	CHI NEBRASKA	✓	
(140) ST MARY'S HEALTHCARE CENTER (46-0230199) 801 EAST SIOUX AVENUE, PIERRE, SD 57501	HEALTHCARE	SD	501(C)(3)	3	CHI	✓	
(141) ST MARY'S HOSPITAL FOUNDATION (47-0707604) 1314 3RD AVENUE, NEBRASKA CITY, NE 68410	FUNDRAISING	NE	501(C)(3)	7	SMH	✓	
(142) ST. VINCENT FOUNDATION (51-0169537) TWO ST. VINCENT CIRCLE, LITTLE ROCK, AR 72205	FUNDRAISING	AR	501(C)(3)	11 - TYPE I	SVIMC	✓	
(143) ST. VINCENT INFIRMARY MEDICAL CENTER (71-0236917) TWO ST. VINCENT CIRCLE, LITTLE ROCK, AR 72205	HEALTHCARE	AR	501(C)(3)	3	CHI	✓	
(144) ST. VINCENT MEDICAL GROUP (71-0830896) TWO ST. VINCENT CIRCLE, LITTLE ROCK, AR 72205	HEALTHCARE	AR	501(C)(3)	9	SVIMC	✓	
(145) ST LUKE'S SUGAR LAND PROPERTIES CORPORATION (45-4120549) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	PROPERTY MGMT	TX	501(C)(3)	11 - TYPE I	SL CDC - SL	✓	
(146) THE GOOD SAMARITAN HOSPITAL OF CINCINNATI, OH (31-0537486) 619 OAK STREET, ACCOUNTING-3 W, CINCINNATI, OH 45206	HEALTHCARE	OH	501(C)(3)	3	CHI	✓	
(147) THE PHYSICIAN NETWORK (47-0780857) 2000 Q STREET, SUITE 500, LINCOLN, NE 68503	PHYS PRACTICE	NE	501(C)(3)	11 - TYPE I	CHI NEBRASKA	✓	
(148) TOTAL HEALTHCARE (84-0927232) 188 INVERNESS DRIVE WEST, SUITE 500, ENGLEWOOD, CO 80112	HEALTHCARE	CO	501(C)(3)	3	CHIC	✓	
(149) UNITY FAMILY HEALTHCARE (41-0721642)	HEALTHCARE	MN	501(C)(3)	3	CHI	✓	

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
815 SE 2ND STREET, LITTLE FALLS, MN 56345							
(150) VILLA NAZARETH, INC. (45-0226714) 801 PAGE DRIVE, FARGO, ND 58103	LT CARE	ND	501(C)(3)	9	CHI	✓	
(151) VISITING NURSE ASSOCIATION OF ST CLARE'S (22-1768334) 191 WOODPORT ROAD, SPARTA, NJ 07871	HOME HEALTH	NJ	501(C)(3)	9	SCHS	✓	
(152) WOMEN'S AUXILIARY OF HIGHLINE COMMUNITY HOSPITAL (91-6060784) 16251 SYLVESTER RD SW, BURIEEN, WA 98166	AUXILIARY	WA	501(C)(3)	11 - TYPE II	HMC	✓	
(153) WOODLANDS DOCTOR GROUP (27-4499340) 17200 ST LUKE'S WAY SUITE 170, THE WOODLANDS, TX 77384	PHY PRACTICES	TX	501(C)(3)	9	SL CHS	✓	

Part III Identification of Related Organizations Taxable as a Partnership (continued)

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income related, unrelated, excluded from tax under sections 512-514	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocation?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) AUDUBON LAND COMPANY LLC (84-1513085) 5390 N ACADEMY BLVD SUITE 300, COLORADO SPRINGS, CO 80918	REAL ESTATE	CO	CHIC	RELATED	34,991	8,665,388		✓	0		✓	50.1
(2) AVANTAS, LLC (39-2045003) 11128 JOHN GALT BLVD, SUITE 400, OMAHA, NE 68137	STAFFING OF NURSES	NE	AHBMHS	RELATED	-210,405	4,806,071		✓	-439,536		✓	95
(3) BERYWOOD OFFICE PROPERTIES, LLC (62-1875199) 400 BERYWOOD TRAIL, CLEVELAND, TN 37312	PHYS OFFICE	TN	MHCS	RELATED	57,545	1,013,237		✓	0	✓		63
(4) BLUEGRASS REGIONAL IMAGING CENTER (61-1386736) 1218 SOUTH BROADWAY, SUITE 310, LEXINGTON, KY 40504	DIAGNOSTIC	KY	SJHS	RELATED	308,428	3,317,191		✓	0		✓	65
(5) CENTRAL NEBRASKA HOME CARE SERVICES (47-0692112) P.O. BOX 1146-4510 SECOND AVENUE, KEARNEY, NE 68848	HEALTHCARE SRVC	NE	N/A	RELATED	228,435	675,251		✓	0	✓		100
(6) CENTRAL NEBRASKA REHAB SERVICES (81-0653461) 3004 W FAIDLEY AVE, GRAND ISLAND, NE 68802	PHYSICAL THERAPY	NE	SFMC	RELATED	1,710,199	2,712,656		✓	0		✓	51
(7) CHI OPERATING INVESTMENT PROGRAM, LP (47-0721942) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	INVESTMENTS	CO	CHI	UNRELATED	344,962,532	4,617,413,792		✓	0	✓		79.92
(8) HEALTHCARE SUPPORT SERVICES (72-1546196) P.O. BOX 9804, GRAND ISLAND, NE 68802	LAUNDRY	NE	N/A	RELATED	98,583	3,190,677		✓	0		✓	100
(9) MRI AT ST JOESPH MEDICAL CENTER, LLC (52-1958002) 7253 AMBASSADOR ROAD, BALTIMORE, MD 21244	MEDICAL IMAGING	MD	SJMC	RELATED	423,167	2,174,155		✓	0	✓		51
(10) NORTH RIVER SURGERY CENTER, LLC (71-0799771) 2209 WILDWOOD AVENUE, SHERWOOD, AR 72120	AMBUL SURG CTR	AR	SVIMC	RELATED	81,071	1,077,536		✓	0		✓	57.45
(11) O'DEA MEDICAL ARTS LIMITED PARTNERSHIP (52-1682964) 7601 OSLER DRIVE, TOWSON, MD 21204	REAL ESTATE	MD	TMI	RELATED	9,490	0		✓	0	✓		66.58
(12) ORTHOCOLORADO, LLC (37-1577105) 11650 WEST 2ND PLACE, LAKEWOOD, CO 80255	ORTHO HOSPITAL	CO	THC	RELATED	1,846,153	8,411,844		✓	0		✓	60
(13) PENINSULA RADIATION ONCOLOGY, LLC (87-0808610) 315 MARTIN LUTHER KING JR WAY #111, TACOMA, WA 98405	HEALTHCARE SRVC	WA	FHS	RELATED	256,567	3,262,002		✓	0		✓	60
(14) PENRAD IMAGING (84-1072619) 1330 KELLY JOHNSON BLVD, COLORADO SPRINGS, CO 80920	MEDICAL IMAGING	CO	CHIC	RELATED	715,094	3,489,436		✓	0		✓	70

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income related, unrelated, excluded from tax under sections 512-514	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocation s?		(i) Code V - UBL amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(15) RUXTON SURGICENTER, LLC (52-2095835) 8322 BELLONA AVENUE, SUITE 201, BALTIMORE, MD 21204	SURGERY CENTER	MD	SJMC	RELATED	-69,345	0	✓		0	✓		51
(16) SAINT JOSEPH - SCA HOLDINGS, LLC (45-3801157) 1451 HARRDOSBURG ROAD, LEXINGTON, KY 40504	OP SURGERY	DE	SJHS	RELATED	0	0	✓		0	✓		51
(17) SCA PREMIER SURGERY CENTER OF LOUISVILLE, LLC (72-1386840) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	SURGERY CENTER	KY	JH	RELATED	3,388	666,017	✓		0	✓		51
(18) ST FRANCIS LAND COMPANY, LLC (26-3134100) 5390 N ACADEMY BLVD SUITE 300, COLORADO SPRINGS, CO 80918	REAL ESTATE	CO	CHIC	RELATED	-130,967	13,823,763	✓		0		✓	51
(19) ST FRANCIS MEDICAL CENTER ASSOCIATES (91-1352698) 1717 SOUTH J STREET, TACOMA, WA 98405	MED OFFICE	WA	FHS	RELATED	238,717	1,907,063	✓		0		✓	58.46
(20) ST JOSEPH+PAML, LLC (45-2116736) 424 LEWIS HARGETT CIRCLE, STE 160, LEXINGTON, KY 40503	MGMT SVCS	KY	SJHS	RELATED	30,446	1,149,003	✓		0	✓		62.5
(21) SUPERIOR MEDICAL IMAGING, LLC (26-2884555) 5000 NORTH 26TH STREET, LINCOLN, NE 68521	OP DIAGNOSTICS	NE	SERMC	RELATED	-200,323	821,112	✓		0	✓		51
(22) SURGERY CENTER OF LEXINGTON, LLC (62-1179539) 424 LEWIS HARGETT CIRCLE, STE 160, LEXINGTON, KY 40503	SURGERY CENTER	DE	SJHS	RELATED	-200,318	4,079,584	✓		0	✓		51
(23) SURGERY CENTER OF LOUISVILLE, LLC (62-1179537) 200 ABRAHAM FLEXNER WAY, LOUISVILLE, KY 40202	SURGERY CENTER	KY	JH	RELATED	-15,452	396,101	✓		0	✓		51
(24) ALEGENT HEALTH NORTHWEST IMAGING CENTER, LLC (06-1786985) 3606 N 156TH STREET, OMAHA, NE 68116	OP DIAGNOSTICS	NE	ACH	RELATED	116,752	776,649	✓		0	✓		51
(25) BERGAN MERCY SURGERY CENTER, LLC (20-8671994) 7710 MERCY ROAD, STE 100, OMAHA, NE 68124	AMBUL SURG CTR	NE	ACH	RELATED	142,085	3,294,472	✓		0		✓	63.94
(26) LAKESIDE AMBULATORY SURGICAL CENTER, LLC (20-4267902) 17031 LAKESIDE HILLS DR., OMAHA, NE 68130	AMBUL SURG CTR	NE	ACH	RELATED	3,465,880	1,951,221	✓		0		✓	51.6
(27) LAKESIDE ENDOSCOPY CENTER, LLC (20-5544496) 17001 LAKESIDE HILLS PLZ, STE 201, OMAHA, NE 68130	ENDOSCOPY SRVC	NE	ACH	RELATED	1,455,294	1,013,126	✓		0		✓	52.28
(28) NEBRASKA SPINE HOSPITAL, LLC (27-0263191) 6901 N. 72ND STREET, OMAHA, NE 68122	SPINE HOSPITAL	NE	ACH	RELATED	10,501,730	17,301,869	✓		0		✓	51
(29) PRAIRIE HEALTH VENTURES, LLC (20-4962103) 421 S 9TH ST., #102, LINCOLN, NE 68508	TECH SERVICES	NE	AH-IMC	RELATED	1,011,804	5,564,586	✓		68,565	✓		62.7

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income related, unrelated, excluded from tax under sections 512-514	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocation		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(30) SAINT JOSEPH+ANC HOME CARE SERVICES (26-3330545) 1700 EDISON DRIVE, SUITE 300, MILFORD, OH 45150	HOME HEALTH	KY	JH	RELATED	3,208,139	9,684,824		✓	0		✓	96.9
(31) LINCOLN CK LEASING, LLC (26-2496856) 8770 BRYN MAWR, SUITE 1370, CHICAGO, IL 60631	REAL ESTATE	NE	SERMC	RELATED	397,452	439,334		✓	0		✓	53.76
(32) HIGHLINE IMAGING, LLC (20-0460005) 275 SW 160TH ST, BURLEN, WA 98166	DIAGNOSTIC	WA	HMC	RELATED	840,222	1,784,058		✓	0		✓	80
(33) HC SL VINTAGE I, LLC (27-0453767) 18000 WEST SARAH LANE, SUITE 250, BROOKFIELD, WI 53045	PROPERTY HOLD	WI	SL CDC - VINTAGE	RELATED	1,027,057	105,658,490		✓	0		✓	51
(34) ST LUKE'S HOSPITAL AT THE VINTAGE LLC (26-3734516) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HOSPITAL	TX	SL CDC - VINTAGE	RELATED	-19,253,743	69,158,748		✓	0	✓		51
(35) PMC HOSPITAL, LLC (27-3280598) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HOSPITAL	TX	SL CDC - PMC	RELATED	1,092,540	20,751,174		✓	0	✓		51
(36) ST LUKE'S DIAGNOSTIC CATH LAB LLP (71-0959365) 6620 MAIN ST, SUITE 1520, HOUSTON, TX 77030	DIAGNOSTIC	TX	SLHS HOLDINGS	RELATED	273,448	868,814		✓	0		✓	57.3
(37) ST LUKE'S LAKESIDE HOSPITAL LLC (30-0427437) 6624 FANNIN, SUITE 2505, HOUSTON, TX 77030	HOSPITAL	TX	SL CDC - WOODLANDS	RELATED	1,106,628	25,874,619		✓	0	✓		51
(38) ST LUKE'S THE WOODLANDS SLEEP CENTER LLC (46-2795726) 6624 FANNIN, SUITE 800, HOUSTON, TX 77030	DIAGNOSTIC	TX	SLHS HOLDINGS	RELATED	0	0		✓	0		✓	51

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (continued)

(a) Name, address and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C-corp, S-corp or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(8) CGH REALTY COMPANY, INC. (23-2326801) 2500 BERNVILLE RD, READING, PA 19603	REAL ESTATE	PA	SJHM	C CORPORATION	0	0	100	✓	
(9) COMCARE SERVICES (84-0904813) 4231 W 16TH AVENUE, DENVER, CO 80204	INACTIVE	CO	CHIC	C CORPORATION	0	0	100	✓	
(10) CONSOLIDATED HEALTH SERVICES (31-1378212) 1700 EDISON DRIVE, MILFORD, OH 45150	HOME HEALTH	OH	CHI	C CORPORATION	-879467	52379487	100	✓	
(11) DES MOINES MEDICAL CENTER INC (42-0837382) 1111 6TH AVENUE, DES MOINES, IA 50314	REAL ESTATE	IA	CHI-IA CORP	C CORPORATION	61204	1064032	92.98	✓	
(12) FIRST INITIATIVES INSURANCE, LTD (98-0203038) PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001, CJ	INSURANCE	CJ	CHI	C CORPORATION	0	0	100	✓	
(13) FRANCISCAN SERVICES, INC. (23-2487967) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	CHI	C CORPORATION	-7868	718254	100	✓	
(14) GOOD SAMARITAN OUTREACH SERVICES (47-0659440) PO BOX 1990, KEARNEY, NE 68848	MEDICAL CLINIC	NE	CHI NEBRASKA	C CORPORATION	-257418	180468	100	✓	
(15) HEALTH SYSTEMS ENTERPRISES, INC (47-0664558) PO BOX 1990, KEARNEY, NE 68848	MANAGEMENT	NE	GSH	C CORPORATION	87278	1377820	100	✓	
(16) HEALTHCARE MGMT SERVICES ORG, INC (91-1865474) 1149 MARKET ST., TACOMA, WA 98402	HEALTH ORG	WA	FHS	C CORPORATION	0	0	100	✓	
(17) MEDQUEST (45-0392137) 1301 15TH AVENUE WEST, WILLISTON, ND 58801	SALE OF DME	ND	MMC WILLISTON	C CORPORATION	153510	1152715	100	✓	
(18) MERCY PARK APARTMENTS, LTD (42-1202422) 1111 6TH AVENUE, DES MOINES, IA 50314	HOUSING	IA	CHI-IA CORP	C CORPORATION	369231	1937218	100	✓	
(19) MERCY SERVICES CORP (93-0824308) 2700 STEWART PARKWAY, ROSEBURG, OR 97470	RETAIL SALES	OR	MMC	C CORPORATION	-440596	1423377	100	✓	
(20) MHSERVICES CORPORATION (43-1457881) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	DME	MO	SJPMC	C CORPORATION	0	0	100	✓	
(21) MOUNTAIN MANAGEMENT SERVICES INC (62-1570739) 5500 BRAINERD ROAD, SUITE 500, CHATTANOOGA, TN 37411	MGMT SVC ORG	TN	MHCS	C CORPORATION	96044	6465179	100	✓	
(22) NAZARETH ASSURANCE COMPANY (03-0304831) PO BOX 10073, APO, GEORGETOWN, GRAND CAYMAN, KY1-1001, CJ	INSURANCE	CJ	CHI	C CORPORATION	0	0	100	✓	
(23) PATIENT TRANSPORT SERVICES, INC. (31-1100798) 1700 EDISON DRIVE, MILFORD, OH 45150	HOME HEALTH	OH	ANC	C CORPORATION	-164340	5488274.97	100	✓	
(24) PHYSICIAN HEALTH SYSTEM NETWORK (91-1746721) 1149 MARKET ST., TACOMA, WA 98402	HEALTH ORG.	WA	FHS	C CORPORATION	0	0	100	✓	
(25) SAINT CLARES PRIMARY CARE INC (22-2441202) 86 FORD ROAD, DENVER, NJ 07834	BILLING SERVICES	NJ	SCCC	C CORPORATION	-357263	1361242	100	✓	
(26) SAMARITAN FAMILY CARE, INC. (31-1299450) 40 W FOURTH ST., #1700, DAYTON, OH 45402	HEALTHCARE	OH	SHIP	C CORPORATION	0	0	100	✓	
(27) SJH SERVICES CORPORATION (23-2307408) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HEALTHCARE	CO	FSI	C CORPORATION	-197039	3331737	100	✓	
(28) SJL PHYSICIAN MANAGEMENT SERVICES, INC. (27-	MANAGEMENT	KY	SJHS	C CORPORATION	0	0	100	✓	

(a) Name, address and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C-corp, S-corp or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(164198) 424 LEWIS HARGETT CR #160, LEXINGTON, KY 40503	T								
(29) ST ANTHONY DEVELOPMENT COMPANY (93-1216943) 1415 SOUTHGATE, PENDLETON, OR 97801	ATHLETIC CLUB	OR	SAH	C CORPORATION	114863	2936102	100	✓	
(30) ST VINCENT COMMUNITY HEALTH SERVICES, INC (71-0710785) TWO ST VINCENT CIRCLE, LITTLE ROCK, AR 72205	HEALTHCARE	AR	SVIMC	C CORPORATION	2408638	15225732	100	✓	
(31) ST. JOSEPH DEVELOPMENT COMPANY, INC (91-1480569) 1717 SOUTH J STREET, TACOMA, WA 98405	RENTAL	WA	FSI	C CORPORATION	655478	12357418	100	✓	
(32) ST JOSEPH OFFICE PARK ASSOCIATION (61-1079889) 1401 HARRODSBURG ROAD, BLDG B70, LEXINGTON, KY 40504	MANAGEMENT	KY	SJHS	C CORPORATION	0	882139	85	✓	
(33) TOWSON MANAGEMENT, INC. (52-1710750) 7601 OSLER DRIVE, TOWSON, MD 21204	MANAGEMENT SERVICES	MD	FSI	C CORPORATION	516457	197196	100	✓	
(34) COLLABHEALTH MANAGED SOLUTIONS, INC. (46-1222808) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	HOLDING CO	CO	CHI	C CORPORATION	0	23806707	100	✓	
(35) COLLABHEALTH PLAN SERVICES, INC (46-1224037) 198 INVERNESS DRIVE WEST, ENGLEWOOD, CO 80112	ADMIN SERVICES	CO	CHMS	C CORPORATION	-1082933	38272608	100	✓	
(36) HIGHLINE MEDICAL GROUP (91-1407026) 15811 AMBAUM BLVD. SW, #170, BURIEU, WA 98166	MEDICAL SERVICES	WA	HMC	C CORPORATION	-6049147	5689139	100	✓	
(37) SOUNDPATH HEALTH, INC (42-1720801) 32129 WEYERHAEUSER WAY S, SUITE 201, FEDERAL WAY, WA 98001	INSURANCE	WA	CHPS	C CORPORATION	-154741	10976973	55	6	✓
(38) SLEHS HOLDINGS, INC. (76-0637138) 6624 FANNIN, SUITE 800, HOUSTON, TX 77030	HOLDING CO	TX	SLHS	C CORPORATION	1425313	33114103	100	✓	
(39) ST LUKE'S ANESTHESIOLOGY ASSOCIATES (46-1517163) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	MEDICAL CLINIC	TX	SLMC	C CORPORATION	0	0	100	✓	
(40) SLMT PARKING, INC (76-0637140) 6624 FANNIN, SUITE 800, HOUSTON, TX 77030	PARKING	TX	SLHS	C CORPORATION	1117934	13768221	100	✓	
(41) ST. LUKE'S 6620 MAIN CONDOMINIUM ASSOCIATION (30-0355517) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	CONDOMINIUM ASSOC	TX	SLPC	C CORPORATION	0	0	100	✓	
(42) ST. LUKE'S EPISCOPAL HOSPITAL PHYSICIAN HOSPITAL ORGANIZATION INC (76-0377932) 6720 BERTNER, HOUSTON, TX 77030	PHO	TX	SLMC	C CORPORATION	6	0	60	✓	
(43) ST. LUKE'S MEDICAL ARTS CENTER I CONDOMINIUM ASSOCIATION (30-0355518) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	CONDOMINIUM ASSOC	TX	SLPC	C CORPORATION	0	0	100	✓	
(44) ST. LUKE'S MEDICAL TOWER CONDOMINIUM ASSOCIATION (76-0298751) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	CONDOMINIUM ASSOC	TX	SLMTC	C CORPORATION	0	0	100	✓	
(45) SUGAR LAND DOCTOR GROUP (45-4270163) 1317 LAKE POINTE PARKWAY, SUGAR LAND, TX 77478	MEDICAL CLINIC	TX	SL CHS	C CORPORATION	-1159411	566590	100	✓	
(46) THE TEXAS HEART INSTITUTE AT ST LUKE'S EPISCOPAL HOSPITAL DENTON A COOLEY BUILDING CONDOMINIUM ASSOCIATION (90-0064009) 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	CONDOMINIUM ASSOC	TX	SLMC	C CORPORATION	0	0	100	✓	
(47) ALEAGENT HEALTH/CREIGHTON ST JOSEPH	MANAGED	NE	ACH	C CORPORATION	5312313	4520865	100	✓	

(a) Name, address and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C-corp, S-corp or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
MANAGED CARE SERVICES, INC (47-0802396) 12809 WEST DODGE ROAD, OMAHA, NE 68154	CARE								
(48) ALL SAINTS INSURANCE COMPANY, SPC, LTD P.O. BOX 69 GT, 720 WEST BAY ROAD, GEORGETOWN, GRAND CAYMAN, KY-1102, CJ	INSURANCE	CJ	SLHS	C CORPORATION	0	43866961	100	✓	
(49) VINTAGE DOCTOR GROUP 6624 FANNIN, SUITE 1100, HOUSTON, TX 77030	MEDICAL CLINIC	TX	SLMC	C CORPORATION	0	0	100	✓	

**RESTATED ARTICLES OF INCORPORATION
OF
ST. MARY'S HOSPITAL, NEBRASKA CITY, NEBRASKA**

The following restated Articles of Incorporation are executed pursuant to the provisions of Section 21-19, 110 of the Nebraska Nonprofit Corporation Act, and such restated Articles of Incorporation shall be effective upon filing with the Nebraska Secretary of State's office.

The following restated Articles of Incorporation contain amendments to the current Articles of Incorporation which require approval by the sole corporate member, Catholic Health Initiatives, a Colorado nonprofit corporation. The following restated Articles of Incorporation were adopted and approved by the sole corporate member on June 5, 2009, as provided in Section 21-19, 107 of the Nebraska Nonprofit Corporation Act. The following restated Articles of Incorporation were adopted and approved by the Board of Directors of St. Mary's Community Hospital, Nebraska City, Nebraska, on May 28, 2013.

The following restated Articles of Incorporation shall supersede and replace in their entirety the current Articles of Incorporation and all amendments thereto.

ARTICLE I

Name

The name of the corporation is St. Mary's Community Hospital (the "Corporation").

ARTICLE II

Nonprofit Corporation

The Corporation is a nonprofit public benefit corporation.

ARTICLE III

Name and Registered Office

The registered agent is CT Corporation System. The address of the registered office and registered agent is 1024 K Street, Lincoln, Nebraska 68508.

ARTICLE IV

Duration

The period of duration of the Corporation shall be perpetual.

ARTICLE V
Purposes and Powers

Section 5.1 The Corporation is organized and operated exclusively for religious, charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or as subsequently amended (the "Code"). No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to any private person, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth below. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles of Incorporation, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Code or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Section 5.2 In furtherance of the foregoing, the Corporation shall:

- a. Provide, on a nonprofit basis, hospitals and other health care facilities and services for the sick and injured (including obstetrical care);
- b. Operate, conduct and maintain schools of nursing in connection with such hospitals or other health care facilities and services;
- c. Operate, conduct and maintain other educational programs and activities relating to the care of the sick and injured;
- d. Foster, promote and encourage scientific, intellectual and spiritual endeavors and pursuits as well as to foster, promote and encourage the arts and sciences;
- e. Confer diplomas and degrees in connection with such programs;
- f. Engage in and encourage medical research in connection with such hospitals or other health care facilities;
- g. Participate in any activity designated and carried on to promote the general health of the people in the area or areas which the Corporation serves without detriment to the dignity of the individual;
- h. Feed and clothe the poor and needy in the area or areas which the Corporation serves as well as those devoting their time, without compensation, to the care of the sick and injured;

i. Aid and assist other nonprofit charitable or educational institutions or associations which are exempt from Federal income tax under Section 501(c)(3) of the Code; and

j. Engage in the aforesaid purposes as well as in all other activities which will further the purposes for which the Corporation is formed.

Section 5.3 Nothing contained in this Article shall be construed as limiting the powers conferred upon the Corporation by the Nebraska Nonprofit Corporation Act (the "Act"). The Corporation, in order to carry out its purposes, shall have all the powers set out in the Act.

ARTICLE VI

Membership

Section 6.1 The sole corporate member of the Corporation is CHI Nebraska, a Nebraska nonprofit corporation (the "Corporate Member").

Section 6.2 In addition to the rights and powers granted by the laws of the State of Nebraska, the Corporate Member shall have such rights and powers with respect to the governance of the Corporation as may from time to time be set forth in the Bylaws of the Corporation.

ARTICLE VII

Dissolution

Upon the dissolution or liquidation of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, transfer all of the property and assets of any nature of the Corporation to the Corporate Member, if it is then qualified as an organization exempt from tax under Section 501(c)(3) of the Code, and if the Corporate Member is not then so qualified, then to any successor corporation of the Corporate Member which is then so qualified, and if no such successor is so qualified, then to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time be so qualified and as the Board of Directors shall determine in accordance with the Act or any other applicable law. Any assets not so disposed of in accordance with the above procedures shall be disposed of by the court of the county in which the principal office of the Corporation has been located, exclusively for one or more such exempt purposes, or to such organization or organizations organized and operated exclusively for one or more of the exempt purposes of the Corporation described herein and then qualified under Section 501(c)(3) of the Code, as such court shall determine.

ARTICLE VIII
Amendment

No alteration, amendment, repealer, or restatement of these Articles of Incorporation shall be effective without the approval of the Corporate Member, in accordance with the Bylaws of the Corporation.

ST. MARY'S COMMUNITY HOSPITAL

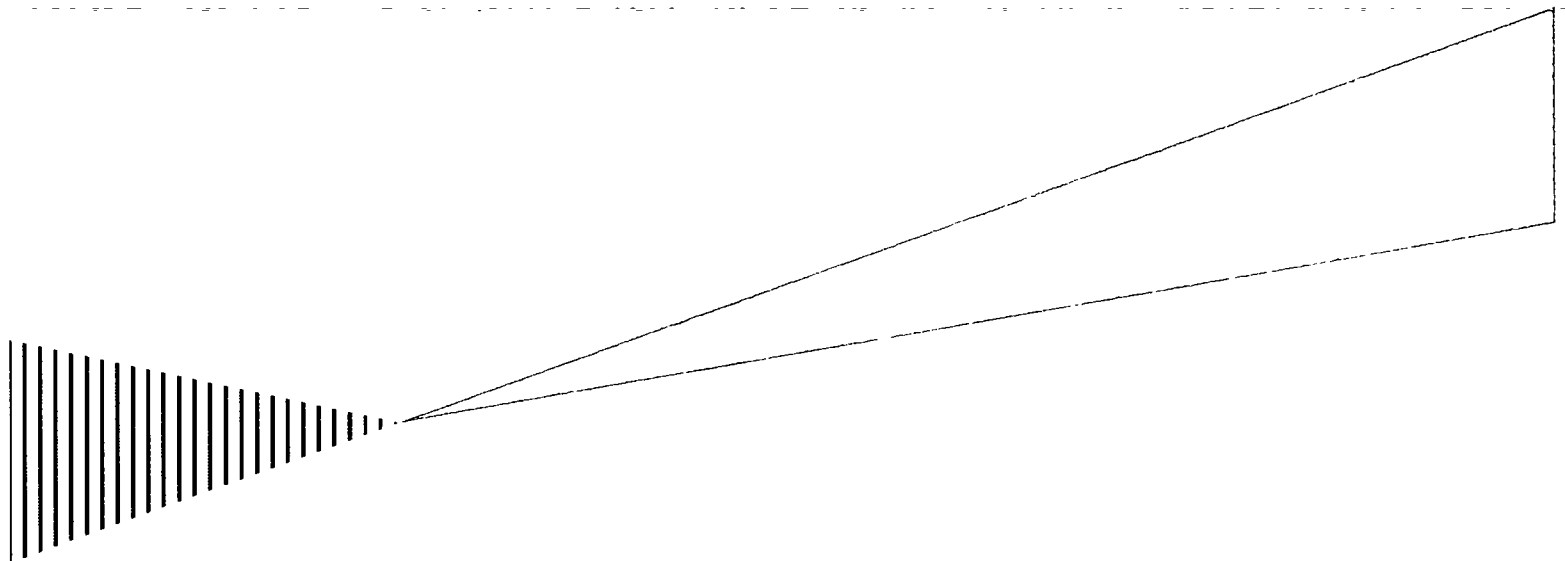
By: 

Printed Name: Daniel J. Kelly
Title: President

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



Building a better
working world

Catholic Health Initiatives

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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free 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 Alegen 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 Alegen 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

Catholic Health Initiatives

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>\$ 19,309,719</u>	<u>\$ 15,012,386</u>

	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.

Catholic Health Initiatives

Consolidated Statements of Operations (In Thousands)

	Year Ended June 30	
	2013	2012
Revenues:		
Net patient services revenues before provision for doubtful accounts	\$ 10,714,455	\$ 9,223,859
Provision for doubtful accounts	(821,465)	(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 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

Catholic Health Initiatives

Consolidated Statements of Changes in Net Assets (In Thousands)

	Unrestricted Net Assets										
	Attributable to CHI	Attributable to		Total	Temporarily		Permanently				
		Noncontrolling	Interest		Restricted Net	Assets	Restricted Net	Assets			
					Assets			Total Net			
								Assets			
Balances, June 30, 2011	\$	7,448,161	\$	8,967	\$	7,457,128	\$	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)	
Net assets released from restriction for capital		18,119		-		18,119		(18,119)		-	
Net assets released from restriction for operations		-		-		-		(19,689)		-	
Investment income		232		-		232		1,007		47	
KentuckyOne Health noncontrolling interest		-		181,551		181,551		-		-	
Other changes in net assets		24,372		(9,314)		15,058		11,710		5,682	
Net (decrease) increase in net assets		(525,695)		171,896		(353,799)		14,026		5,607	
Balances, June 30, 2012		6,922,466		180,863		7,103,329		136,821		68,033	
Excess of revenues over expenses		489,740		(37)		489,703		-		-	
Net loss from discontinued operations		(108,594)		-		(108,594)		-		-	
Decrease in pension funded status		483,468		2,082		485,550		-		-	
Temporarily and permanently restricted contributions		-		-		-		33,056		(1,554)	
Net assets released from restriction for capital		15,791		-		15,791		(15,791)		-	
Net assets released from restriction for operations		-		-		-		(15,728)		-	
Investment (loss) income		(45)		-		(45)		5,393		1,280	
Temporarily and permanently restricted assets from acquisitions		-		-		-		74,253		19,171	
Other changes in net assets		(33,516)		(7,245)		(40,761)		(3,480)		(302)	
Net increase (decrease) in net assets		846,844		(5,200)		841,644		77,703		18,595	
Balances, June 30, 2013	\$	7,769,310	\$	175,663	\$	7,944,973	\$	214,524	\$	86,628	
										\$	8,246,125

See accompanying notes

Catholic Health Initiatives

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended June 30	
	2013	2012
Operating activities		
Increase (decrease) in net assets	\$ 937,942	\$ (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)

Catholic Health Initiatives

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	<u>1,265,455</u>	<u>144,502</u>
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	<u>\$ 609,226</u>	<u>\$ 403,972</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, including amounts capitalized	<u>\$ 199,413</u>	<u>\$ 151,837</u>

See accompanying notes.

Catholic Health Initiatives

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,

Catholic Health Initiatives

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

Catholic Health Initiatives

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 Allowance	Allowance for Bad Debt	Reserve for Charity	Total Accounts 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	<u>\$ (2,859,970)</u>	<u>\$ (858,394)</u>	<u>\$ (567,116)</u>	<u>\$ (4,285,480)</u>

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.

Catholic Health Initiatives

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

Catholic Health Initiatives

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.

Catholic Health Initiatives

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	<u>\$ 364,751</u>	<u>\$ 162,880</u>

Intangible assets and goodwill increased during fiscal year 2013 due to the acquisitions of Alegant 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 Alegant 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 Alegant Creighton Health and Affiliates (Alegant), including Immanuel. Subsequent to November 1, 2012, the Immanuel notes receivable balance was recorded as an intercompany note and eliminated in consolidation. All of

Catholic Health Initiatives

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):

	<u>2013</u>	<u>2012</u>
Total notes receivable from related entities	\$ 188,275	\$ 465,400
Reinsurance recoverable on unpaid losses and loss 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	<u>\$ 430,888</u>	<u>\$ 605,094</u>

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

Catholic Health Initiatives

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

Catholic Health Initiatives

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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

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

Catholic Health Initiatives

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):

	<u>2013</u>	<u>2012</u>
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	<u>\$ 1,181,491</u>	<u>\$ 1,076,452</u>

Catholic Health Initiatives

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

Catholic Health Initiatives

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.

Catholic Health Initiatives

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):

	2013					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Practices	Other Investees	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	138,577	34,197	167,914	600,892
Total revenues, net	6,309	353,484	142,775	37,065	310,439	850,072
Excess of revenues over expenses	872	34,633	44,385	4,241	29,416	113,547

	2012					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Practices	Other Investees	Total
Total assets	\$ 29,557	\$ 259,753	\$ 58,575	\$ 19,997	\$ 140,714	\$ 508,596
Total debt	27,793	12,866	10,627	8,637	18,062	77,985
Net assets	1,160	195,293	42,396	8,462	76,977	324,288
Net patient services revenues	–	277,668	125,121	33,254	109,779	545,822
Total revenues, net	5,845	380,983	125,326	35,685	218,627	766,466
Excess of revenues over expenses	477	37,039	34,367	5,854	15,284	93,021

Catholic Health Initiatives

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
	<u>\$ 1,260,000</u>	<u>\$ 55,436</u>	<u>\$ 217,709</u>	<u>\$ 608,623</u>	<u>\$ 2,141,768</u>

	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)
	<u>\$ 1,260,000</u>	<u>\$ 55,436</u>	<u>\$ 217,709</u>	<u>\$ 608,623</u>	<u>\$ 2,141,768</u>

Catholic Health Initiatives

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.

Catholic Health Initiatives

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
	<u>\$ 258,503</u>	<u>\$ 131,127</u>	<u>\$ 389,630</u>
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	<u>\$ 258,503</u>	<u>\$ 131,127</u>	<u>\$ 389,630</u>

Catholic Health Initiatives

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 \$181.6 million was determined using valuation techniques including discounted cash flows. For the period from January 1 to June 30, 2012, JHSMH contributed \$477.1 million of operating revenues and \$62.2 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

Catholic Health Initiatives

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):

	<u>2013</u>	<u>2012</u>
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	<u>\$ (108,594)</u>	<u>\$ (45,095)</u>

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

Catholic Health Initiatives

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
Medicare	32%	31%
Medicaid	8	7
Managed care	40	39
Self-pay	8	8
Commercial and other	12	15
	100%	100%

Catholic Health Initiatives

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):

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

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

Catholic Health Initiatives

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 U.S. 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.

Catholic Health Initiatives

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:

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

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):

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

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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

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)	
		Quoted Prices	Other	Unobservable	
		in Active	Observable	Inputs	
		Markets	Inputs		
		Fair Value as of June 30			
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	—	—
	\$	283,669	\$ 12,035	\$ 271,634	\$ —

Catholic Health Initiatives

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)
	Fair Value	Quoted Prices	Other	Unobservable
	as of	in Active	Observable	Inputs
	June 30	Markets	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	—	—
	<u>\$ 958,768</u>	<u>\$ 433,305</u>	<u>\$ 523,510</u>	<u>\$ 1,953</u>
Liabilities				
Interest rate swaps	\$ 238,549	\$ —	\$ 238,549	\$ —
Deferred compensation liability	10,852	10,852	—	—
	<u>\$ 249,401</u>	<u>\$ 10,852</u>	<u>\$ 238,549</u>	<u>\$ —</u>

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

Catholic Health Initiatives

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):

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

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.

Catholic Health Initiatives

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			
Series 1997B, maturing through 2022	0 14%	\$ 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 2012A, maturing 2035	3 00-5 00	271,260	271,260
Series 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			
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		\$ 6,334,985	\$ 3,778,709

Catholic Health Initiatives

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):

	<u>Amounts Due</u>
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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

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):

	<u>2013</u>	<u>2012</u>
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	<u>3,877,485</u>	<u>3,601,231</u>
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	<u>3,404,633</u>	<u>2,708,411</u>
Funded status of the Plans	<u>\$ (472,852)</u>	<u>\$ (892,820)</u>
End-of-year values:		
Projected benefit obligation	\$ 3,877,485	\$ 3,601,231
Accumulated benefit obligation	3,844,708	3,428,819

Catholic Health Initiatives

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	174	187
Curtailments	367	—
Settlements	45	—
	<u>\$ 228,756</u>	<u>\$ 163,804</u>
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.

Catholic Health Initiatives

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:

	<u>2013</u>	<u>2012</u>	<u>Target</u>	<u>Range</u>
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):

	<u>2013</u>			
	<u>Fair Value Measurements at Reporting Date Using</u>			
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
	<u>Fair Value</u>	<u>Quoted Prices</u>	<u>Other</u>	
	<u>as of</u>	<u>in Active</u>	<u>Observable</u>	<u>Unobservable</u>
	<u>June 30</u>	<u>Markets</u>	<u>Inputs</u>	<u>Inputs</u>
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	–
Alternative investments	657,194	–	–	657,194
	<u>\$ 3,404,633</u>	<u>\$ 2,038,280</u>	<u>\$ 709,159</u>	<u>\$ 657,194</u>

Catholic Health Initiatives

Notes to Consolidated Financial Statements (continued)

10. Retirement Plans (continued)

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

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	<u>\$ 657,194</u>	<u>\$ 505,720</u>

Catholic Health Initiatives

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):

Year Ending June 30:	<u>Estimated Payments</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:

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

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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

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):

	<u>Amounts Due</u>
Year Ending June 30:	
2014	\$ 154,915
2015	132,169
2016	113,672
2017	96,849
2018	82,143
Thereafter	381,561
	<u>\$ 961,309</u>

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.

Catholic Health Initiatives

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 \$1.0 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 \$1.0 million per claim. Unrelated commercial insurance carriers reinsure losses in excess of the per-claim 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 \$51.0 million and \$54.0 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

Catholic Health Initiatives

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 Grants	Equipment and Real Property Management Procurement and Suspension and Debarment
2013-006			
2013-003			
2013-008	93.887	Health Care and Other Facilities	Reporting
2013-001			
2013-004			
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	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.

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2013-001 2013-003 2013-005	93.889	National Bioterrorism Hospital Preparedness Program	Reporting Procurement Allowable Costs/Cost Principles
2013-001 2013-003 2013-007	93.621	Affordable Care Act Initiative to Reduce Avoidable Hospitalizations Among Nursing Facility Residents	Reporting Procurement 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 Grants	Equipment and Real Property Management
2013-006			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 Residents	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

Catholic Health Initiatives

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					
King County Washington State					
Special Supplemental Nutrition Program for Women, Infants, and Children	10 557	CHS2443	-	65,966	65,966
North 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 CFDA 10 557			-	1,659,468	1,659,468
Iowa Department of Education					
Child and Adult Care Food Program	10 558	778084	-	40,964	40,964
Pennsylvania 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 CFDA 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 CFDA 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

Catholic Health Initiatives

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 Justice					
Pass-Through From					
<i>Colorado Department of Public Safety</i>					
<i>Division of Criminal Justice</i>					
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					
<i>Iowa Workforce Development</i>					
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging 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					
<i>Minnesota Department of Public Safety</i>					
Occupant Protection Incentive Grants	20 602	3-13785	-	3,571	3,571
<i>Nebraska Office of Highway Safety</i>					
Occupant Protection Incentive Grants	20 602	405-13-06/ 405-12-06/ 403-13-6-5	-	13,032	13,032
<i>Total CFDA 20 602</i>			-	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
<i>Total Student Financial Assistance Cluster</i>			-	10,649,710	10,649,710

Catholic Health Initiatives

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					
<i>Des Moines Public Schools</i>					
Title I Grants to Local Educational Agencies	84 010		\$ -	\$ 8,554	\$ 8,554
<i>Nebraska Department of Education</i>					
Rehabilitation Services Vocational Rehabilitation Grants to States	84 126	33104	-	50,000	50,000
<i>New Jersey Department of Human Services</i>					
Rehabilitation Services Vocational Rehabilitation Grants to States	84 126	70013	-	91,750	91,750
<i>Total CFDA 84 126</i>					
			-	141,750	141,750
<i>University of Nebraska Medical Center</i>					
Special Education - Grants for Infants and Families	84 181	94-2810-248-IC5-13	-	12,700	12,700
<i>The University of Louisville Research Foundation, Inc</i>					
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>Nebraska Department of Health and Human Services</i>					
Community-Based Abstinence Education	93 010	6H3HRH000171001	-	8,300	8,300
<i>Denver Regional Council of Governments</i>					
Special Programs for the Aging Title III, Part Grants for Supportive Services and Senior Centers	93 044	EX11038	-	105,484	105,484
<i>Colorado Division of Insurance</i>					
Special Programs for the Aging Title IV and Title II Discretionary Projects	ARRA-93 048	OE SFA 13SMP000002	-	4,372	4,372
<i>Iowa Department of Public Health</i>					
Public Health Emergency Preparedness	93 069	5883BT02	-	20,666	20,666
<i>North Country Community Health Board</i>					
Public Health Emergency Preparedness	93 069		-	40,026	40,026
<i>North Dakota Department of Health</i>					
Public Health Emergency Preparedness	93 069	11 704	-	1,760	1,760

Catholic Health Initiatives

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
<i>Total CFDA 93 069</i>			-	62,452	62,452
U.S. Department of Health and Human Services (continued)					
<i>Pass-Through From (continued)</i>					
<i>Goodwill/Easter Seals</i>					
Healthy Marriage Promotion and Responsible Fatherhood Grants	93 086	00-824-230-535	\$ -	\$ 79,298	\$ 79,298
<i>Nebraska Department of Health and Human Services</i>					
Emergency Medical Services for Children	93 127		-	108	108
<i>Cincinnati Children's Hospital Medical Center</i>					
Research Related to Deafness and Communication Disorders	93 173	5R01DC010202-02	49,252	-	49,252
<i>Nebraska Department of Health and Human Services</i>					
Affordable Care Act Abstinence Education Program	93 235	10395-Y3	-	40,594	40,594
<i>Iowa Department of Public Health</i>					
State Rural Hospital Flexibility Program	93 241	58812013	-	3,641	3,641
<i>Nebraska Department of Health and Human Services</i>					
State Rural Hospital Flexibility Program	93 241	3H54RH00005D	-	27,000	27,000
<i>Nebraska Office of Rural Health</i>					
State Rural Hospital Flexibility Program	93 241	#15957-Y3/#11460-Y3	-	28,682	28,682
<i>North Memorial Health Care/Ambulance</i>					
State Rural Hospital Flexibility Program	93 241	PO3000005305	-	4,785	4,785
<i>University of North Dakota Center for Rural Health</i>					
State Rural Hospital Flexibility Program	93 241	UND10097/UND10098	-	27,426	27,426
<i>Total CFDA 93 241</i>			-	91,534	91,534
<i>Iowa Department of Public Health</i>					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93 243	588 3 SA08	-	29,768	29,768
<i>Iowa Department of Public Health</i>					
Immunization Cooperative Agreements	93 268	58821402	-	7,966	7,966
<i>American Psychological Association</i>					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283		-	12,976	12,976
<i>Iowa Department of Public Health</i>					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	5883NB01	-	32,183	32,183
<i>New Jersey Department of Health and Senior Services</i>					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	DFHS13CED014	-	45,000	45,000
<i>North Dakota Cancer Coalition</i>					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	4521 HKH3203 03	-	5,300	5,300
<i>University of Iowa</i>					
Centers for Disease Control and Prevention Investigations and Technical Assistance	93 283	W000383548	-	3,000	3,000
<i>Total CFDA 93 283</i>			-	98,459	98,459

Catholic Health Initiatives

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 Health and Human Services (continued)					
<i>Pass-Through From (continued)</i>					
<i>Iowa Department of Public Health</i>					
Small Rural Hospital Improvement Grant Program	93 301	5883SH72/5882SH02	\$ -	\$ 23,451	\$ 23,451
<i>Kentucky Hospital Research and Education Foundation</i>					
Small Rural Hospital Improvement Grant Program	93 301		-	6,000	6,000
<i>Minnesota Department of Health</i>					
Small Rural Hospital Improvement Grant Program	93 301	H128880397W #36536	-	25,710	25,710
<i>Minnesota Department of Human Services</i>					
Small Rural Hospital Improvement Grant Program	93 301	3000003361	-	8,355	8,355
<i>Nebraska Department of Health and Human Services</i>					
Small Rural Hospital Improvement Grant Program	93 301	6H3HRH000171001	-	7,317	7,317
<i>University of North Dakota Center for Rural Health</i>					
Small Rural Hospital Improvement Grant Program	93 301	UND100069/UND100071/ UND100077/UND100085	-	40,546	40,546
<i>Total CFDA 93 301</i>			-	111,379	111,379
<i>Central Community College</i>					
Nurse Education, Practice Quality and Retention Grants	93 359		-	68,750	68,750
<i>Ohio State University</i>					
Cancer Treatment Research	93 395	27469-76	2,028	-	2,028
<i>University of Michigan</i>					
Cancer Treatment Research	93 395	CA32102	23,600	-	23,600
<i>Total CFDA 93 395</i>			25,628	-	25,628
<i>Colorado Department of Public Health and Environment</i>					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93 505	13 FLA 50476	-	120,374	120,374
<i>North Country Community Health Board</i>					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93 505		-	106,216	106,216
<i>Total CFDA 93 505</i>			-	226,590	226,590
<i>National Council on Aging</i>					
Affordable Care Act - Medicare Improvements for Patients and Providers	93 518		-	57,650	57,650
<i>North Country Community Health Board</i>					
PPHF 2012 Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93 531		-	13,349	13,349
<i>North Country Community Health Services</i>					
Temporary Assistance for Needy Families	93 558		-	38,307	38,307
<i>University of Alabama at Birmingham</i>					
Health Care Innovations Awards	93 610	000432302-002	18,569	-	18,569
<i>North Country Community Health Services</i>					
Medical Assistance Program	93 778		-	73,229	73,229

Catholic Health Initiatives

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 Health and Human Services (continued)					
<i>Pass-Through From (continued)</i>					
<i>Colorado Division of Insurance</i>					
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93 779		\$ -	\$ 26,577	\$ 26,577
<i>Washington University</i>					
Blood Diseases and Resources Research	93 839	5U01HL088476-03	9,750	-	9,750
<i>Washington University - St. Louis, Missouri</i>					
Blood Diseases and Resources Research	93 839	WU-11-298	19,877	-	19,877
<i>Total CFDA 93 839</i>			29,627	-	29,627
<i>Drexel University</i>					
Arthritis, Musculoskeletal and Skin Diseases Research	93 846	11012367	15,179	-	15,179
<i>University of Medicine and Dentistry of New Jersey</i>					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93 853	34079	5,000	-	5,000
<i>Cincinnati Children's Hospital Medical Center</i>					
Child Health and Human Development Extramural Research	93 865	R01HL097064	26,114	-	26,114
<i>Iowa Department of Public Health</i>					
National Bioterrorism Hospital Preparedness Program	93 889	5883BHP304/5883BHP88/ 5883BHP62/5883BHP61/ 5883BHP14/5883BHP63/ 5883BHP15	-	158,058	158,058
<i>Kansas Department of Health and Environment</i>					
National Bioterrorism Hospital Preparedness Program	93 889		-	119,000	119,000
<i>Oregon Health Authority</i>					
National Bioterrorism Hospital Preparedness Program	93 889	139896	-	5,620	5,620
<i>Pennsylvania Department of Health and Human Services</i>					
National Bioterrorism Hospital Preparedness Program	93 889	4100051125	-	37,026	37,026
<i>Sanford Bemidji Medical Center</i>					
National Bioterrorism Hospital Preparedness Program	93 889	300007579	-	8,088	8,088
<i>Tennessee Department of Health</i>					
National Bioterrorism Hospital Preparedness Program	93 889	34349-35813	-	85,690	85,690
<i>Washington State Department of Health/Washington State Hospital Association</i>					
National Bioterrorism Hospital Preparedness Program	93 889	1U90TP000559-01	-	42,981	42,981
<i>Total CFDA 93 889</i>			-	456,463	456,463
<i>Avera Health</i>					
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93 912		-	1,400	1,400
<i>Nebraska Office of Rural Health</i>					
Grants to States for Operation of Offices of Rural Health	93 913	#47730-04/#12286-Y3	-	14,263	14,263

Catholic Health Initiatives

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 Health and Human Services (continued)					
Pass-Through From (continued)					
<i>Iowa Department of Health and Human Services</i>					
Block Grants for Community Mental Health Services	93 958	MDHA11-053/ MDHS11-054	\$ -	\$ 67,443	\$ 67,443
<i>New Jersey Department of Human Services</i>					
Block Grants for Community Mental Health Services	93 958	30305	-	405,597	405,597
<i>Total CFDA 93 958</i>			-	473,040	473,040
<i>Minnesota Department of Human Services</i>					
Block Grants for Prevention and Treatment of Substance Abuse	93 959	GRK%29214	-	203,220	203,220
<i>North Country Community Health Services</i>					
Maternal and Child Health Services Block Grant to the States	93 994		-	35,068	35,068
<i>Colorado Cancer Research Program</i>					
Clinical Practice Support	93 Unknown		-	17,742	17,742
<i>Colorado Cardiac Alliance</i>					
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					
<i>Foundation for a Healthy Kentucky</i>					
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

Catholic Health Initiatives

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.

Catholic Health Initiatives

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

	<u>Amount</u>
12.420 – Military Medical Research and Development	\$ 277,897
93.241 – State Rural Hospital Flexibility Program	3,587
93.Unknown – Clinical Practice Support	17,742
	<u>\$ 299,226</u>

Catholic Health Initiatives

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):	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal awards section

Internal control over major programs:			
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no	
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported	
Type of auditor’s report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer):	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?	<u> X </u> yes	<u> </u> no	

Catholic Health Initiatives

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, ARRA-84.063, 84.268	Student Financial Assistance Cluster
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	National Bioterrorism Hospital Preparedness Program
93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 yes X no

Catholic Health Initiatives

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.

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Finding 2013-001 – Significant Deficiency – SEFA Preparation – Reporting

Federal program information:

U.S. Department of Agriculture
U.S. Department of Defense
U.S. Department of Education
U.S. Department of Health and Human Services
Research and Development Cluster (R&D) CFDA 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)

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

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

Catholic Health Initiatives

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.

Views of responsible officials
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.

Catholic Health Initiatives

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

**Criteria or specific requirement
(including statutory, regulatory or
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
U.S. 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

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

	for the WIC program overall.
<u>Cause:</u>	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.
<u>Recommendation:</u>	None.
<u>Views of responsible officials and planned corrective actions:</u>	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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Criteria or specific requirement
(including statutory, regulatory or
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:
 - (i) 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.
 - (ii) 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

Catholic Health Initiatives

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.
<u>Effect:</u>	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.
<u>Recommendation:</u>	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 and planned corrective actions:</u>	CHI will prepare and implement a written procurement policy during FY 2014 that incorporates all of the federal requirements.

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Finding 2013-004 – Material Weakness – Equipment and Real Property Management

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

Catholic Health Initiatives

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

Catholic Health Initiatives

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.

Effect:

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.

Cause:

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.

Catholic Health Initiatives

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.

Views of responsible officials
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.

Catholic Health Initiatives

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.

Criteria or specific requirement (including statutory, regulatory or 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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Effect:

Payroll expenditures cannot be supported for amounts charged to federal awards.

Cause:

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.

Views of responsible officials
and planned corrective actions:

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

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Finding 2013-006 – Material Weakness – Procurement and Suspension and Debarment

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.

Criteria or specific requirement
(including statutory, regulatory or
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.

Catholic Health Initiatives

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.

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Finding 2013-007 – Cash Management

Federal program information:

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.

**Criteria or specific requirement
(including statutory, regulatory or
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.

Cause:

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

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Views of responsible officials
and planned corrective actions:

federal government.

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.

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

Finding 2013-008 – Material Weakness – Reporting

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.

**Criteria or specific requirement
(including statutory, regulatory or
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 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

Catholic Health Initiatives

Schedule of Findings and Questioned Costs (continued)

<u>Context:</u>	DLT Alegent did not submit a Project Performance Activity Report or a Standard Form 425 for the year ended June 30, 2012.
<u>Effect:</u>	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.
<u>Recommendation:</u>	CHI should establish controls to ensure that all required reports are submitted to grantors in accordance with grant requirements.
<u>Views of responsible officials and planned corrective actions:</u>	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.

Catholic Health Initiatives
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.

Catholic Health Initiatives

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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