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Form **990**Department of the Treasury
Internal Revenue Service**Return of Organization Exempt From Income Tax**

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

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

OMB No 1545-0047

2012Open to Public
Inspection**A** For the 2012 calendar year, or tax year beginning **OCT 1, 2012** and ending **JUN 30, 2013**

| | | | |
|---|--|------------|---|
| B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending | C Name of organization Via Christi Hospitals Wichita, Inc. | | D Employer identification number 48-1172106 |
| | Doing Business As | | E Telephone number (316) 268-5000 |
| | Number and street (or P.O. box if mail is not delivered to street address) | Room/suite | G Gross receipts \$ 433,359,611. |
| | 929 N. Saint Francis | | H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | City, town, or post office, state, and ZIP code Wichita, KS 67214 | | H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) |
| F Name and address of principal officer: Carleton Rider 8200 E. Thorn, Suite 300, Wichita, KS 67226 | | | H(c) Group exemption number ▶ 0928 |
| I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | | |
| J Website: ▶ www.via-christi.org/hospitals | | | |
| K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶ | | | L Year of formation: 1995 M State of legal domicile: KS |

Part I Summary

| | | | | |
|------------------------------------|---|--|--|--------------------------|
| Activities & Governance | 1 Briefly describe the organization's mission or most significant activities: We serve as a healing presence with special concern for our neighbors who are vulnerable. | | | |
| | 2 Check this box <input type="checkbox"/> 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) | | |
| | 4 | Number of independent voting members of the governing body (Part VI, line 1b) | | |
| | 5 | Total number of individuals employed in calendar year 2012 (Part V, line 2a) | | |
| | 6 | Total number of volunteers (estimate if necessary) | | |
| | 7a | Total unrelated business revenue from Part VIII, column (C), line 12 | | |
| 7b | b Net unrelated business taxable income from Form 990-T, line 34 | | | |
| Revenue | 8 | Contributions and grants (Part VIII, line 1h) | Prior Year 4,304,601. | Current Year 3,220,873. |
| | 9 | Program service revenue (Part VIII, line 2g) | 559,781,267. | 387,962,594. |
| | 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 14,549,948. | 30,302,867. |
| | 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 15,973,954. | 11,733,676. |
| | 12 | Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 594,609,770. | 433,220,010. |
| | 13 | Grants and similar amounts paid (Part IX, column (A), lines 1-3) | 563,005. | 393,982. |
| | 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) | 288,313,779. | 199,063,428. |
| | 16a | Professional fundraising fees (Part IX, column (A), line 11e) | 0. | 0. |
| | 16b | Total fundraising expenses (Part IX, column (D), line 25) | 0. | 0. |
| Expenses | 17 | Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) | 259,922,304. | 186,265,714. |
| | 18 | Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) | 548,799,088. | 385,723,124. |
| | 19 | Revenue less expenses. Subtract line 18 from line 12 | 45,810,682. | 47,496,886. |
| | 20 | Total assets (Part X, line 16) | Beginning of Current Year 680,115,658. | End of Year 704,137,524. |
| Net Assets or Fund Balances | 21 | Total liabilities (Part X, line 26) | 184,113,527. | 164,719,927. |
| | 22 | Net assets or fund balances. Subtract line 21 from line 20 | 496,002,131. | 539,417,597. |

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 | Date |
| | Jeff Seirer, Sr. Admin. Finance/Interim CFO | 5-9-14 |
| Paid | Print/Type preparer's name | Preparer's signature |
| | Rebecca Lyons | Rebecca Lyons |
| Preparer Use Only | Firm's name ▶ Deloitte Tax LLP | Firm's EIN ▶ 86-1065772 |
| | Firm's address ▶ 250 East Fifth Street, Suite 1900 Cincinnati, OH 45202 | Phone no. (513) 784-7100 |

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

☒ Yes ☐ No

90.17

Part III Statement of Program Service Accomplishments

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

☒ X**1** Briefly describe the organization's mission:

As a part of Via Christi Health, a Catholic health system, we share this Mission: "Inspired by the Gospel and our Catholic tradition, we serve as a healing presence with special concern for our neighbors who are vulnerable." Via Christi Health's history extends back over 100

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 \$ 305,287,170. including grants of \$ 393,982.) (Revenue \$ 395,489,454.)
Provide outpatient and inpatient services for the benefit, care, and treatment of sick, injured, aged, and disabled patients of South Central Kansas and surrounding areas.

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

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

4d Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses 305,287,170.

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)? <i>If "Yes," complete Schedule A</i> | 1 x | |
| 2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ? | 2 x | |
| 3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i> | 3 | x |
| 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? <i>If "Yes," complete Schedule C, Part II</i> | 4 x | |
| 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? <i>If "Yes," complete Schedule C, Part III</i> | 5 | x |
| 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? <i>If "Yes," complete Schedule D, Part I</i> | 6 | x |
| 7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> | 7 | x |
| 8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> | 8 | x |
| 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? <i>If "Yes," complete Schedule D, Part IV</i> | 9 | x |
| 10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i> | 10 | x |
| 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? <i>If "Yes," complete Schedule D, Part VI</i> | 11a x | |
| 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? <i>If "Yes," complete Schedule D, Part VII</i> | 11b | x |
| 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? <i>If "Yes," complete Schedule D, Part VIII</i> | 11c | x |
| 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? <i>If "Yes," complete Schedule D, Part IX</i> | 11d x | |
| e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> | 11e 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)? <i>If "Yes," complete Schedule D, Part X</i> | 11f | x |
| 12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> | 12a | x |
| b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> | 12b x | |
| 13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> | 13 | x |
| 14a Did the organization maintain an office, employees, or agents outside of the United States? | 14a | x |
| 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? <i>If "Yes," complete Schedule F, Parts I and IV</i> | 14b | x |
| 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? <i>If "Yes," complete Schedule F, Parts II and IV</i> | 15 | x |
| 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? <i>If "Yes," complete Schedule F, Parts III and IV</i> | 16 | x |
| 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? <i>If "Yes," complete Schedule G, Part I</i> | 17 | x |
| 18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i> | 18 | x |
| 19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i> | 19 | x |
| 20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> | 20a x | |
| b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? | 20b x | |

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

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 | | |
| 1b | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable | | |
| 1a | 301 | | |
| 1b | 0 | | |
| c | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? | X | |
| 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 | 6798 | | |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) | X | |
| 3a | Did the organization have unrelated business gross income of \$1,000 or more during the year? | X | |
| 3b | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O | X | |
| 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)? | | X |
| 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? | | X |
| 5b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | X |
| 5c | If "Yes," to line 5a or 5b, did the organization file Form 8886-T? | | |
| 6a | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? | | X |
| 6b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | | |
| 7 | Organizations that may receive deductible contributions under section 170(c). | | |
| 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? | | X |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | | X |
| 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? | | X |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | | X |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | | |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | | |
| 9 | Sponsoring organizations maintaining donor advised funds. | | |
| a | Did the organization make any taxable distributions under section 4966? | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | | |
| 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? | | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year | | |
| 12b | | | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O. | | |
| 13a | | | |
| b | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | | |
| 13b | | | |
| c | Enter the amount of reserves on hand | | |
| 13c | | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | | X |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O | | |
| 14b | | | |

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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 ☒ X

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 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. | 15 | |
| 1b Enter the number of voting members included in line 1a, above, who are independent | 13 | |
| 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? | <input checked="" type="checkbox"/> X | |
| 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? | | <input checked="" type="checkbox"/> X |
| 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | <input checked="" type="checkbox"/> X | |
| 5 Did the organization become aware during the year of a significant diversion of the organization's assets? | | <input checked="" type="checkbox"/> X |
| 6 Did the organization have members or stockholders? | <input checked="" type="checkbox"/> X | |
| 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? | <input checked="" type="checkbox"/> X | |
| 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | <input checked="" type="checkbox"/> X | |
| 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: | | |
| a The governing body? | <input checked="" type="checkbox"/> X | |
| b Each committee with authority to act on behalf of the governing body? | <input checked="" type="checkbox"/> X | |
| 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 | | <input checked="" type="checkbox"/> X |

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? | | <input checked="" type="checkbox"/> X |
| 10b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? | | |
| 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? | <input checked="" type="checkbox"/> X | |
| 11b Describe in Schedule O the process, if any, used by the organization to review this Form 990. | | |
| 12a Did the organization have a written conflict of interest policy? If "No," go to line 13 | <input checked="" type="checkbox"/> X | |
| 12b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | <input checked="" type="checkbox"/> X | |
| 12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done | <input checked="" type="checkbox"/> X | |
| 13 Did the organization have a written whistleblower policy? | <input checked="" type="checkbox"/> X | |
| 14 Did the organization have a written document retention and destruction policy? | <input checked="" type="checkbox"/> X | |
| 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 | <input checked="" type="checkbox"/> X | |
| b Other officers or key employees of the organization | <input checked="" type="checkbox"/> X | |
| 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? | <input checked="" type="checkbox"/> X | |
| 16b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? | <input checked="" type="checkbox"/> X | |

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: ☒ Judy Davis - (316) 858-4931
8200 E. Throne Drive, Suite 300, Wichita, KS 67226

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

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

☒**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, 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 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) Lyndon Wells | 1.00 | | | | | | | | | |
| Chair | 0.00 | X | | X | | | | 0. | 0. | 0. |
| (2) Noreen Carrocci | 1.00 | | | | | | | | | |
| Vice Chair | 0.00 | X | | X | | | | 0. | 0. | 0. |
| (3) Michael Bukaty | 1.00 | | | | | | | | | |
| Secretary | 0.00 | X | | X | | | | 0. | 0. | 0. |
| (4) Brad Elliott | 1.00 | | | | | | | | | |
| Treasurer | 0.00 | X | | X | | | | 0. | 0. | 0. |
| (5) Dale Baalman | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (6) Cynthia Carnahan | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (7) Felicidad Chavez | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (8) Lowell Ebersole | 1.00 | | | | | | | | | |
| Medical Staff President | 0.00 | X | | | | | | 0. | 0. | 0. |
| (9) Loretta Hall | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (10) William Hanna | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (11) Diane Leary | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (12) Donald Seery, M.D. | 50.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 203,191. | 0. | 33,526. |
| (13) Chris Shank | 1.00 | | | | | | | | | |
| Trustee | 0.00 | X | | | | | | 0. | 0. | 0. |
| (14) Sister Agnes Weber (Sch O) | 1.00 | | | | | | | | | |
| Trustee | 19.00 | X | | | | | | 0. | 0. | 0. |
| (15) Carleton Rider | 1.00 | | | | | | | | | |
| Chief Admin Officer | 49.00 | X | | X | | | | 0. | 398,619. | 9,344. |
| (16) David Hadley | 1.00 | | | | | | | | | |
| Assistant Treasurer | 49.00 | | | X | | | | 0. | 576,173. | 124,388. |
| (17) Gary Knight | 1.00 | | | | | | | | | |
| Assistant Secretary | 49.00 | | | X | | | | 0. | 386,249. | 108,482. |

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 line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W-2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|--|---|--|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
| | | Individual trustee or director | Institutional trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (18) Michael Wegner Sr. Administer Finance | 46.00 4.00 | | | X | | | | 442,146. | 0. | 67,719. |
| (19) Claudio Ferraro Sr. Admin Clinical | 50.00 0.00 | | | | X | | | 299,419. | 0. | 59,826. |
| (20) Hewitt Goodpasture Physician Dir. of Quality | 50.00 0.00 | | | | X | | | 189,302. | 0. | 31,818. |
| (21) Linda Goodwin Chief Nurse Officer | 48.00 2.00 | | | | X | | | 295,624. | 0. | 44,158. |
| (22) Sherry Hausmann Sr. Admin Hos Ops | 50.00 0.00 | | | | X | | | 440,118. | 0. | 63,973. |
| (23) Art Huber Sr. Administrator Facilities | 48.00 2.00 | | | | X | | | 235,840. | 0. | 45,484. |
| (24) Laurie Labarca Admin. Hospital Ops | 49.00 1.00 | | | | X | | | 422,284. | 0. | 67,963. |
| (25) Cynthia Lafleur Sr. Admin Post Acute | 25.00 25.00 | | | | X | | | 200,811. | 0. | 28,974. |
| (26) Steve Nesbit Chief Hosp. Med. Officer | 50.00 0.00 | | | | X | | | 484,838. | 0. | 59,095. |
| 1b Sub-total | | | | | | | | 3,213,573. | 1,361,041. | 744,750. |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | 3,858,611. | 0. | 289,919. |
| d Total (add lines 1b and 1c) | | | | | | | | 7,072,184. | 1,361,041. | 1,034,669. |

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 **240**

- 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

| | Yes | No |
|---|-----|----|
| 3 | X | |
| 4 | X | |
| 5 | | X |

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 |
|---|--------------------------------|---------------------|
| Wichita Ctr. for Graduate Medical Education 1010 North Kansas, Wichita, KS 67214 | Education | 10,440,537. |
| JE Dunn Construction Co. 929 Holmes, Kansas City, MO 64106 | Construction (Sch O) | 5,795,080. |
| Anesthesia Consulting Service PA P.O. Box 356, Wichita, KS 67201 | Anesthesia Services | 5,296,748. |
| UKSM Wichita 1010 North Kansas, Wichita, KS 67214 | Education | 3,776,785. |
| Kansas Professional Anesthesia & Pain Mgmt P.O. Box 1761, Wichita, KS 67201 | Anesthesia Services | 2,770,000. |

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 **119**

See Part VII, Section A Continuation sheets

Form 990 (2012)

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 | 1 a Federated campaigns | 1a | | | | | | |
| | b Membership dues | 1b | | | | | | |
| | c Fundraising events | 1c | | | | | | |
| | d Related organizations | 1d | | | | | | |
| | e Government grants (contributions) | 1e | 2,995,233. | | | | | |
| | f All other contributions, gifts, grants, and similar amounts not included above | 1f | 225,640. | | | | | |
| | g Noncash contributions included in lines 1a-1f \$ | | | | | | | |
| | h Total. Add lines 1a-1f | | | 3,220,873. | | | | |
| | Program Service Revenue | 2 a Patient Service Rev. | Business Code | 621400 | 387,802,140. | 387,802,140. | | |
| b Continuing Education | | | 611600 | 160,454. | 160,454. | | | |
| c | | | | | | | | |
| d | | | | | | | | |
| e | | | | | | | | |
| f All other program service revenue | | | | | | | | |
| g Total. Add lines 2a-2f | | | | 387,962,594. | | | | |
| Other Revenue | | 3 Investment income (including dividends, interest, and other similar amounts) | | | 6,082,011. | -314,403. | 1,056,675. | 5,339,739. |
| | | 4 Income from investment of tax-exempt bond proceeds | | | | | | |
| | 5 Royalties | | | | | | | |
| | 6 a Gross rents | (i) Real | (ii) Personal | | | | | |
| | b Less: rental expenses | | | | | | | |
| | c Rental income or (loss) | | | | | | | |
| | d Net rental income or (loss) | | | 1,596,242. | | 38,115. | 1,558,127. | |
| | 7 a Gross amount from sales of assets other than inventory | (i) Securities | (ii) Other | | | | | |
| | b Less: cost or other basis and sales expenses | | | | | | | |
| | c Gain or (loss) | | | 24,387,155. | -166,299. | | | |
| | d Net gain or (loss) | | | | | | | |
| | 8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 | | | | | | | |
| | b Less: direct expenses | | | | | | | |
| | c Net income or (loss) from fundraising events | | | | | | | |
| | 9 a Gross income from gaming activities. See Part IV, line 19 | | | | | | | |
| | b Less: direct expenses | | | | | | | |
| | c Net income or (loss) from gaming activities | | | | | | | |
| | 10 a Gross sales of inventory, less returns and allowances | | | | | | | |
| | b Less: cost of goods sold | | | | | | | |
| c Net income or (loss) from sales of inventory | | | | | | | | |
| Miscellaneous Revenue | 11 a Cafeteria/Vending | Business Code | 722320 | 3,537,610. | 3,310,363. | 227,247. | | |
| | b Lab Fees | | 621500 | 1,601,792. | 200,831. | 1,400,961. | | |
| | c Child Development Ctr. | | 624410 | 1,048,116. | 1,048,116. | | | |
| | d All other revenue | | 900099 | 3,949,916. | 3,281,953. | 667,963. | | |
| | e Total. Add lines 11a-11d | | | 10,137,434. | | | | |
| | 12 Total revenue. See instructions | | | 433,220,010. | 395,489,454. | 3,390,961. | 31,118,722. | |

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

☒ X

| 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 | 393,482. | 393,482. | | |
| 2 Grants and other assistance to individuals in the United States. See Part IV, line 22 | 500. | 500. | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16 | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | 3,124,783. | 1,423,877. | 1,700,906. | |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | | | | |
| 7 Other salaries and wages | 156,244,676. | 139,653,367. | 16,591,309. | |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) | -2,055,527. | -3,237,857. | 1,182,330. | |
| 9 Other employee benefits | 30,345,204. | 26,469,788. | 3,875,416. | |
| 10 Payroll taxes | 11,404,292. | 9,884,456. | 1,519,836. | |
| 11 Fees for services (non-employees): | | | | |
| a Management | 5,358,753. | | 5,358,753. | |
| b Legal | 172,197. | 23,690. | 148,507. | |
| c Accounting | 37,064. | 12,380. | 24,684. | |
| d Lobbying | 20,010. | | 20,010. | |
| e Professional fundraising services. See Part IV, line 17 | | | | |
| f Investment management fees | | | | |
| g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.) | 68,223,203. | 28,573,022. | 39,650,181. | |
| 12 Advertising and promotion | 790,895. | 45,345. | 745,550. | |
| 13 Office expenses | 73,334,684. | 70,776,007. | 2,558,677. | |
| 14 Information technology | 778,090. | 370,067. | 408,023. | |
| 15 Royalties | | | | |
| 16 Occupancy | 6,693,752. | 6,336,394. | 357,358. | |
| 17 Travel | 664,597. | 443,474. | 221,123. | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | 375,301. | 297,185. | 78,116. | |
| 20 Interest | 2,839,167. | 2,839,167. | | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 18,420,345. | 14,511,385. | 3,908,960. | |
| 23 Insurance | 4,476,466. | 4,199,769. | 276,697. | |
| 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 Miscellaneous Expenses | 4,081,190. | 2,271,672. | 1,809,518. | |
| b | | | | |
| c | | | | |
| d | | | | |
| e All other expenses | | | | |
| 25 Total functional expenses. Add lines 1 through 24e | 385,723,124. | 305,287,170. | 80,435,954. | 0. |
| 26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation | | | | |

Check here ☐ if following SOP 98-2 (ASC 958-720)

Part X Balance 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 | 26,105,022. | 1 | 17,395,561. |
| | 2 Savings and temporary cash investments | 132,110,807. | 2 | 288,436. |
| | 3 Pledges and grants receivable, net | | 3 | |
| | 4 Accounts receivable, net | 64,734,232. | 4 | 68,047,659. |
| | 5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L | | 5 | |
| | 6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L | | 6 | |
| | 7 Notes and loans receivable, net | 73,530. | 7 | 50,127. |
| | 8 Inventories for sale or use | 14,852,399. | 8 | 12,354,046. |
| | 9 Prepaid expenses and deferred charges | 2,407,339. | 9 | 1,096,232. |
| | 10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 10a 193,075,183. | | |
| | b Less: accumulated depreciation | 10b 5,504,834. | 151,083,813. | 10c 187,570,349. |
| | 11 Investments - publicly traded securities | | 11 | |
| | 12 Investments - other securities. See Part IV, line 11 | | 12 | |
| | 13 Investments - program-related. See Part IV, line 11 | | 13 | |
| | 14 Intangible assets | 12,947. | 14 | 0. |
| | 15 Other assets. See Part IV, line 11 | 288,735,569. | 15 | 417,335,114. |
| 16 Total assets. Add lines 1 through 15 (must equal line 34) | 680,115,658. | 16 | 704,137,524. | |
| Liabilities | 17 Accounts payable and accrued expenses | 49,404,317. | 17 | 40,442,632. |
| | 18 Grants payable | | 18 | |
| | 19 Deferred revenue | 393,436. | 19 | 379,138. |
| | 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 | |
| | 23 Secured mortgages and notes payable to unrelated third parties | 54,210. | 23 | 44,280. |
| | 24 Unsecured notes and loans payable to unrelated third parties | | 24 | |
| | 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D | 134,261,564. | 25 | 123,853,877. |
| | 26 Total liabilities. Add lines 17 through 25 | 184,113,527. | 26 | 164,719,927. |
| Net Assets or Fund Balances | Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. | | | |
| | 27 Unrestricted net assets | 482,774,894. | 27 | 539,417,597. |
| | 28 Temporarily restricted net assets | 7,321,896. | 28 | 0. |
| | 29 Permanently restricted net assets | 5,905,341. | 29 | 0. |
| | Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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 | 496,002,131. | 33 | 539,417,597. |
| | 34 Total liabilities and net assets/fund balances | 680,115,658. | 34 | 704,137,524. |

Form 990 (2012)

Part XI Reconciliation of Net Assets

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

☒

| | | | |
|-----------|--|-----------|--------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 433,220,010. |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 385,723,124. |
| 3 | Revenue less expenses. Subtract line 2 from line 1 | 3 | 47,496,886. |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 496,002,131. |
| 5 | Net unrealized gains (losses) on investments | 5 | -21,217,780. |
| 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 | 17,136,360. |
| 10 | Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 539,417,597. |

Part XII Financial Statements and Reporting

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

☐

- 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

| | Yes | No |
|-----------|-----|----|
| 2a | | X |
| 2b | X | |
| 2c | X | |
| 3a | | X |
| 3b | | |

Form **990** (2012)

Department of the Treasury
Internal Revenue Service

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

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[illegible]

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

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 <input type="checkbox"/> | | | | | | |

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 33 1/3% support test - 2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| b 33 1/3% support test - 2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/> | | |
| 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 <input type="checkbox"/> | | |
| 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 <input type="checkbox"/> | | |
| 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 <input type="checkbox"/> | | |

Schedule A (Form 990 or 990-EZ) 2012

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 <input type="checkbox"/> | | | | | | |

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Effective April 1, 2013, Via Christi Health, the parent of the filing organization, was acquired by Ascension Health. Ascension Health is a subsidiary of Ascension Health Alliance. As part of the acquisition, the organization changed its tax year to June 30 in order to align with the tax year of Ascension Health.

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

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

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 Via Christi Hospitals Wichita, Inc. | Employer identification number 48-1172106 |
|---|--|

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-. |
|----------|-------------|---------|---|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

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

Schedule C (Form 990 or 990-EZ) 2012

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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.

| 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? | | X | |
| b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | X | |
| c Media advertisements? | | X | |
| d Mailings to members, legislators, or the public? | | X | |
| e Publications, or published or broadcast statements? | | X | |
| f Grants to other organizations for lobbying purposes? | | X | |
| g Direct contact with legislators, their staffs, government officials, or a legislative body? | | X | |
| h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | X | |
| i Other activities? | X | | 20,010. |
| j Total. Add lines 1c through 1i | | | 20,010. |
| 2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | X | |
| 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? | | |
| 2 Did the organization make only in-house lobbying expenditures of \$2,000 or less? | | |
| 3 Did the organization agree to carry over lobbying and political expenditures from the prior year? | | |

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.

Part II-B, Line 1, Lobbying Activities:

Lobbying expenses represent the portion of dues paid to national and

state hospital associations that is specifically allocable to lobbying.

Additionally, the costs of advocacy incurred by the Director of

Government Relations is included in this amount.

| | |
|----------------|--|
| Part IV | Supplemental Information <i>(continued)</i> |
|----------------|--|

Via Christi Hospitals Wichita, Inc. does not participate in or

intervene in (including the publishing or distributing or statements)

any political campaign on behalf of (or in opposition to) any candidate

for public office.

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.

2012

Open to Public
Inspection

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

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? <input type="checkbox"/> Yes <input type="checkbox"/> 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? <input type="checkbox"/> Yes <input type="checkbox"/> 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).

| | |
|--|--|
| <input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) | <input type="checkbox"/> Preservation of an historically important land area |
| <input type="checkbox"/> Protection of natural habitat | <input type="checkbox"/> Preservation of a certified historic structure |
| <input type="checkbox"/> 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 III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

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

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

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

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets

to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes ☐ No

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

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

| | Amount |
|----|--------|
| 1c | |
| 1d | |
| 1e | |
| 1f | |

2a Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes ☐ No

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

☐

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

- 1a Beginning of year balance
 b Contributions
 c Net investment earnings, gains, and losses
 d Grants or scholarships
 e Other expenditures for facilities and programs
 f Administrative expenses
 g End of year balance

| | (a) Current year | (b) Prior year | (c) Two years back | (d) Three years back | (e) Four years back |
|----|------------------|----------------|--------------------|----------------------|---------------------|
| 1a | | | | | |
| 1b | | | | | |
| 1c | | | | | |
| 1d | | | | | |
| 1e | | | | | |
| 1f | | | | | |
| 1g | | | | | |

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

- a Board designated or quasi-endowment ☐ %
 b Permanent endowment ☐ %
 c Temporarily restricted endowment ☐ %
 The percentages in lines 2a, 2b, and 2c should equal 100%.

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

- (i) unrelated organizations
 (ii) related organizations

| | Yes | No |
|--------|-----|----|
| 3a(i) | | |
| 3a(ii) | | |
| 3b | | |

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

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

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

| Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land | | 5,701,379. | | 5,701,379. |
| b Buildings | | 105,444,563. | 1,695,093. | 103,749,470. |
| c Leasehold improvements | | 9,534. | 318. | 9,216. |
| d Equipment | | 63,977,531. | 3,695,324. | 60,282,207. |
| e Other | | 17,942,176. | 114,099. | 17,828,077. |
| Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c)) | | | | 187,570,349. |

Schedule D (Form 990) 2012

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) | | |
| (B) | | |
| (C) | | |
| (D) | | |
| (E) | | |
| (F) | | |
| (G) | | |
| (H) | | |
| (I) | | |
| Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶ | | |

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. (Col. (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) Due to Related Parties | 34,151,675. |
| (2) Misc. Accounts Receivables | 3,049,286. |
| (3) Self Insurance Fund | 3,631,318. |
| (4) PY & CY Settlement - Medicare/Medicaid | 1,760,746. |
| (5) CSI Receivables | 992,296. |
| (6) Sweep Interest Rec/Pay | 61,246. |
| (7) Investment in Subsidiaries | 9,865,697. |
| (8) Deferred Compensation Investment | 379,138. |
| (9) Interest in Investments Held by Ascension Health Alliance | 360,665,382. |
| (10) | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) | 417,335,114. |

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

| 1. | (a) Description of liability | (b) Book value |
|--|------------------------------------|----------------|
| | (1) Federal income taxes | |
| | (2) Notes Payable VCHS Current | 4,136,931. |
| | (3) Note Payable VCHS Long Term | 114,267,820. |
| | (4) Self Insurance Payable | 2,495,232. |
| | (5) Retirement Benefits Payable | 139,584. |
| | (6) Deferred Comp Liab Pooled Invt | 9,766. |
| | (7) Frozen Sick Payable | 309,188. |
| | (8) Asset Retirement Obligation | 2,495,356. |
| | (9) | |
| | (10) | |
| | (11) | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶ | | 123,853,877. |

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.

Schedule D (Form 990) 2012

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

Part I Financial Assistance and Certain Other Community Benefits at Cost

- 1 a** Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a
- b** If "Yes," was it a written policy?
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
- 2** 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"?
- 5 a** 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?
- 6 a** Did the organization prepare a community benefit report during the tax year?
- b** If "Yes," did the organization make it available to the public?

| | Yes | No |
|-----------|-----|----|
| 1a | X | |
| 1b | X | |
| 3a | X | |
| 3b | X | |
| 4 | X | |
| 5a | X | |
| 5b | X | |
| 5c | | X |
| 6a | X | |
| 6b | X | |

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Financial Assistance and Certain Other Community Benefits at Cost

| Financial Assistance and Means-Tested Government Programs | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|--|---|-------------------------------------|---|-------------------------------------|---|---------------------------------|
| a Financial Assistance at cost (from Worksheet 1) | | | 24,805,251. | | 24,805,251. | 6.43% |
| b Medicaid (from Worksheet 3, column a) | | | 53,440,818. | 41,080,642. | 12,360,176. | 3.20% |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d Total Financial Assistance and Means-Tested Government Programs | | | 78,246,069. | 41,080,642. | 37,165,427. | 9.63% |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 261,409. | 24,660. | 236,749. | .06% |
| f Health professions education (from Worksheet 5) | | | 18,505,267. | 9,985,129. | 8,520,138. | 2.21% |
| g Subsidized health services (from Worksheet 6) | | | 11,890,593. | 11,207,509. | 683,084. | .18% |
| h Research (from Worksheet 7) | | | 229,459. | | 229,459. | .06% |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 324,939. | | 324,939. | .08% |
| j Total Other Benefits | | | 31,211,667. | 21,217,298. | 9,994,369. | 2.59% |
| k Total Add lines 7d and 7j | | | 109,457,736. | 62,297,940. | 47,159,796. | 12.22% |

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 Facility Reporting Group - A

For single facility filers only: line number of hospital facility (from Schedule H, Part V, Section A) _____

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

Part V Facility Information (continued) Facility Reporting Group - A

| 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? | X | |
| 10 | Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care: <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used. | X | |
| 11 | Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used. | X | |
| 12 | Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply): a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI) | X | |
| 13 | Explained the method for applying for financial assistance? | X | |
| 14 | Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply): a <input type="checkbox"/> The policy was posted on the hospital facility's website b <input type="checkbox"/> The policy was attached to billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available on request g <input checked="" type="checkbox"/> Other (describe in Part VI) | X | |
| 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? | X | |
| 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 patient's eligibility under the facility's FAP: a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI) | | |
| 17 | Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged: a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI) | | X |

Schedule H (Form 990) 2012

Part V Facility Information (continued) Facility Reporting Group - A

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 | X | |
| | | |

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?

| | Yes | No |
|-----------|-----|----|
| 21 | | X |
| | | |

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?

| | Yes | No |
|-----------|-----|----|
| 22 | | X |

If "Yes," explain in Part VI.

Schedule H (Form 990) 2012

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? 9

| Name and address | Type of Facility (describe) |
|---|-----------------------------|
| 1 Via Christi Cancer Center 817 N. Emporia Wichita, KS 67214 | Cancer Center |
| 2 Via Christi CyberKnife Center 825 N. Emporia Wichita, KS 67214 | CyberKnife Cancer Treatment |
| 3 Via Christi Wound Center 848 N. Emporia Wichita, KS 67214 | Wound Center |
| 4 Solutions for Life 6100 E. Central Wichita, KS 67208 | Medical Research |
| 5 Via Christi Research 1100 N. ST. Francis Wichita, KS 67214 | Medical Research |
| 6 Via Christi Family Medicine Center 707 N. Emporia Wichita, KS 67214 | Family Practice Clinic |
| 7 Via Christi Family Medicine Center 1121 S. Clifton Ave. Wichita, KS 67218 | Family Practice Clinic |
| 8 VCMA IOLA 401 S. Washington Iola, KS 66749 | Family Practice Clinic |
| 9 Dr. Anthony Johnstone 1230 E. 6th Winfield, KS 67156 | Family Practice Clinic |
| | |
| | |
| | |

Schedule H (Form 990) 2012

Part VI Supplemental Information

Complete this part to provide the following information.

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

Part I, Line 6a: A community benefit update that includes Via Christi Hospitals Wichita, Inc. data is printed in Via Christi Health's Annual Report, which is released in various formats to the public and available from Via Christi Health's website at www.viachristi.org/about-us or upon request. In addition, Via Christi Hospitals Wichita, Inc. makes public presentations on the findings of the latest health needs assessment.

Community Benefit Report:

Via Christi Hospitals Wichita, Inc. ("VCHW") is a member of Via Christi Health ("VCH"). As a Catholic Health System, VCHW has its origins in faith-based responses to health needs of our communities, with a particular concern for those living in poverty and who are vulnerable.

The obligation to reach out to those in need and to improve community health flows directly from VCH's identity as a faith-based healing ministry. VCH continues its tradition in providing community benefit because we are committed to:

- Promoting and defending human dignity

232098 12-10-12

Part VI Supplemental Information

- Caring for persons living in poverty and other vulnerable populations
- Promoting the common good
- Stewarding resources responsibly

According to the VCH's mission statement, "As a part of Via Christi Health, we share this mission: Inspired by the Gospel and our Catholic tradition, we serve as a healing presence with special concern for our neighbors who are vulnerable."

The financial information in this report was prepared in accordance with the Catholic Health Association's ("CHA") a guide for planning and reporting community benefit guidelines. Per these guidelines, we report the net expense for community benefit services (i.e. the total community benefit expense minus any associated revenue from patients, residents, payers, and other external sources).

The CHA guidelines reflect a conservative approach to reporting quantifiable community benefit. The goal of the guidelines is to produce community benefit financial reports that reflect true costs and that describe community benefit activities that increase access to health care and improve community health for all.

The following are VCHW definitions for quantifiable community benefits reports:

- Charity Care - Free or discounted health services provided to persons who cannot afford to pay and who meet VCH's criteria for financial assistance. Charity care is reported in terms of costs, not charges. Charity care does not include bad debt.

Part VI Supplemental Information

- Government sponsored means-tested health care - includes unpaid costs of public programs for low-income persons - the shortfall created when VCH receives payments that are less than the cost of caring for public program beneficiaries. This payment shortfall is not the same as a contractual allowance, which is the full difference between charges and government payments.

- Health Professions Education - helping to prepare future health care professionals is a distinguishing characteristic of not-for-profit health care and constitutes a significant community benefit. This category includes programs and financial assistance for physicians and medical students, nurses and nursing students, interns, and other health professionals.

For fiscal year ended June 30, 2013 Community Benefit (VCHW, Inc.):

1. Charity care (at cost) - \$24.8 Million

2. Government sponsored health care, net expense - \$12.4 Million

Unpaid cost of public indigent care programs

(includes Medicaid, SCHIP, other safety net programs;

does not include Medicare shortfall)

3. Community benefit programs, net expense - \$10.2 Million

Includes:

Health professions education (Physicians, Nurses, other) - \$8.5 Million

Subsidized health services (including behavioral health) - \$0.7 Million

Other community services (donations, in-kind, research) - \$1.0 Million

4. Total quantifiable community benefit - \$47.4 Million.

Part VI Supplemental Information

Part I, Line 7: The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with Catholic Health Association ("CHA") guidelines. The organization uses a cost accounting system that addresses all patient segments (for example: inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self-pay). The best available data was used to calculate the amounts reported in the table. For the information in the table, a cost-to-charge ratio was calculated and applied.

Part II: VCH-W's representatives are involved with numerous coalitions that periodically assess community needs (e.g.: Visioneering, United Way of the Plains, Central Plains Regional Healthcare Foundation, Health & Wellness Coalition, KS Health Care Collaborative, KS Mental Health Coalition, Sedgwick County Health Access Project, Wichita Business Coalition on HealthCare, Wichita Center for Graduate Medical Education, and others). By our involvement, the community is better aware of the services available for them and we, in turn, are constantly being updated with regard to community needs and/or gaps in services so they can be improved. One concrete example - during a community coalition meeting it was discovered that the bus transportation to and from the federal qualified health centers was not user friendly. As part of the coalition, VCH-W staff supported the rerouting of bus routes recommendation presented to the city of Wichita so that FQHC's are now easier to access, especially for the poor and vulnerable.

Part III, Line 1: VCHW reports bad debt in accordance with generally accepted accounting principles (GAAP). Healthcare Financial Management

Part VI Supplemental Information

Statement No. 15 is followed to the extent that it aligns with the guidelines set forth by GAAP. Bad debt expense at cost is determined using the same cost-to-charge ratio that is used for charity care and Medicaid shortfall. VCH-W follows the guidance from CHA and does not consider bad debt as a community benefit.

Part III, Line 3: The organization estimated the bad debt expense that would be attributable to patients eligible under the organization's charity care policy by taking gross bad debt expense and multiplying it by a charity write-off percentage. This percentage is calculated taking the full charity write-offs for a defined period divided by the total amount of bad debt allowance for the period preceding. This organization does not consider bad debt as a community benefit.

Part III, Line 4: From the audited financial statements of Ascension Health Alliance (which include the activity of VCHW):

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows

Part VI Supplemental Information

established guidelines for placing certain past-due patient balances

with collection agencies, subject to the terms of certain restrictions

on collection efforts as determined by the System.

Accounts receivable are written off after collection efforts have been

followed in accordance with the System's policies.

VCHW's bad debt deduction was \$50,388,627 at charges and \$11,686,080 at

cost (after the cost to charge ratio was applied to the amount of

charges).

Part III, Line 8: Ascension Health and related health ministries follow

the Catholic Health Association ("CHA") guidelines for determining

community benefit.

Part III, Line 9b: It is the policy of VCHW to promote socially just

practices for billing and collections for all patients receiving care.

The policy is intended to further VCHW mission by requiring ethical

conduct in billing and collecting self-pay balances from

patient/guarantor's regardless of ability to pay. The policy ensures

that prior to turning an account to a Third Party Collection Agent

(Agent) for collection activity, VCHW will perform a reasonable review

of each account to verify that the patient/guarantor is not potentially

eligible for any government assistance program (e.g.: Medicaid,

Medicare, etc.) and would likely not qualify for charity care. VCHW

will direct its staff and Agents to periodically assess each

patient/guarantor's ability to pay or to determine eligibility for

charity care. The review and assessment should include but may not be

Schedule H (Form 990)

Part VI Supplemental Information

limited to the following:

A. Ensure the patient/guarantor has been notified of VCHW's financial

assistance policy;

B. Ensure the patient/guarantor was offered a financial assistance

application;

C. Ensure documentation of any known extraordinary financial

circumstances of the patient/guarantor or if they are medically

indigent.

Part VI, Line 2: In addition to the Aging Assessment conducted in

2012, other area assessments were taken into account (primarily, United

Way of the Plains' Environmental Scan and Needs Assessments and the

Sedgwick County Health Department's Annual Sociodemographic Report).

Up-to-date downloads from the Census Bureau as well as the Kansas

University's Institute for Policy and Social Research and Kansas Hospital

Association help to guide us in gathering data for our geographical

coverage areas.

Part VI, Line 3: The VCHW financial assistance staff are trained on

how to qualify patients for Medicaid, SCHIP and other such income-based

programs. During the patient's registration, admissions and discharge

processes, VCHW attempts to identify patients who may be eligible for

charity or discounted care through the charity care policy. In addition,

VCHW uses a percentage of the Federal Poverty Guidelines (FPG) to

determine free and discounted care.

Part VI, Line 4: The primary counties for Via Christi Hospitals in

Part VI Supplemental Information

Wichita include Sedgwick and Butler Counties. Sedgwick County has a land area of 998 square miles with an estimated 2012 population of 503,889.

Butler County has a land area of 1,430 square miles with an estimated 2012 population of 65,827.

Sedgwick County's population includes 81.2% white, 9.5% Black, 1.4% American Indian, 4.2% Asian and 13.4% persons of Hispanic or Latino origin. The diversity of the population in Sedgwick County is greater than for either Butler County or the state of Kansas as a whole.

Racial breakout for Butler County include: 94.2% white, 1.8% Black, 1.0% American Indian, 0.8% Asian persons, and 4.1% persons of Hispanic or Latino origin.

While the projection for population growth in the area is 2.3% over the next five years, the growth in people over the age of 65 is 10.1%. As a result, the last health assessment focused specifically on this aging population.

It was reported by 13.2% of the Sedgwick County and 3.6% of the Butler County residents that a language other than English is spoken at home.

When it comes to education, 88.4% of Sedgwick County residents completed high school and 28.5% had a bachelor's degrees or higher. This compares to 92.3% for high school graduates and 26.1% bachelor's degrees for Butler County.

Median household income for Sedgwick County residents between the years of 2008-2012 was \$49,885 compared to \$57,424 for Butler County. The median

Part VI Supplemental Information

value of owner-occupied housing units during the same time period in Sedgwick County was \$123,000 compared to \$124,900 for Butler County residents. Sedgwick County reports 14.4% of its residents are below poverty level compared to 7.4% for Butler County. The statewide poverty level is around 13.2%.

Part VI, Line 5: VCHW enriches the community in which it operates as well as the broader community, by improving medicine through educating physicians and other healthcare providers, and by providing care and support to people in need. VCHW furthers support this mission with a community board, open medical staff and an emergency room available to patients regardless of ability to pay.

Community representation on the Governing Body - The Board of Trustees is the governing body of VCHW. The majority of its members are external members comprised of persons who reside in or around Sedgwick County and has overall responsibility for the charitable mission of the organization as set forth in its Articles of Incorporation and Bylaws. These directors are selected based on their expertise, experience, and other criteria established by the nominating committee of the Board of Trustees. Areas of expertise and experience include such areas as healthcare, finance, education, and local government. The Board actively debates and sets policy and strategic direction for the ministry but does not get involved in issues related to daily operations. The Board takes a balanced approach when addressing community and business/financial concerns. The Board is also the primary group for determining the use of surplus funds generated by the organization which are reinvested in the ministry in order to allow the ministry to sustain its mission and prepare for the future.

Part VI Supplemental Information

Open Medical Staff - The medical staff is open with over 1,100 physicians having medical privileges at Via Christi Hospitals in Wichita, including VCH-W. Approximately 300 of these physicians are employed through Via Christi Clinics. Primary care physicians are collaborating with Coventry to provide medical home services to Medicare patients, especially those with multiple chronic diseases.

Community Boards/Committees/Coalitions - VCH-W staff participate in the community on boards of other not-for-profit organizations, government entities, foundations, area colleges and university committees, state-wide coalitions, etc. In FY 2013, Via Christi Hospitals in Wichita, including VCH-W, had leadership staff participating on more than 40 outside organizations (e.g.: American Heart Association, Boys and Girls Club of Kansas, Catholic Charities, Central Plains Regional Healthcare Foundation, Grace Med Clinic, Guadalupe Clinic, Heartspring, Independent Living Resource Center, Inter-Faith Ministries, Kansas Sports Concussion Partnership, Newman University, Ronald McDonald House, Safe Kids Wichita Area Coalition, Senior Services, Sedgwick County Suicide Prevention Coalition, United Way of the Plains, Wichita Center for Graduate Medical Education, Wichita State University and many more).

Health Profession Education - having the only burn unit in the state of Kansas, VCHW routinely trains first responders, as well as outlying and critical access hospitals how to clinically prepare burn victims for medical transport to Wichita for emergency care.

Part VI, Line 6: VCHW is an affiliate of Via Christi Health, Inc.

Schedule H (Form 990)

Part VI Supplemental Information

("VCH") and Ascension Health. VCH'S affiliates are large, multi-faceted, integrated, not-for-profit ministries including hospital and non-hospital ministries (physician group practices, hospital organizations, research, home health, durable medical equipment, and senior facilities). These ministries work together to care for patients, joined by common systems and a philosophy of serving as a healing presence with special concern for our neighbors, especially those who are vulnerable. This community benefit happens through its focus on patient care, education, and research. The organizations work together to serve their communities at the local, regional, and state levels.

Part VI, Question 7: Kansas does not require hospitals to file community benefit reports, but Via Christi Health, Inc., which includes the activity of VCHW, distributes their community benefit totals and activities annually in press releases as well as in our annual report.

Part V, Line 8 Facility Reporting Group A (continued on attached)

Part VI Supplemental Information

Schedule H, Part VI, line 8. Facility Reporting Group A

Facility 1 -- Via Christi Hospitals Wichita, Inc.

Part V, Section B, line 3: In 2012, Via Christi conducted a state-wide

aging assessment in localities where the organization owned hospitals

and/or senior living facilities. In total, 224 interviews were completed

with individuals representing businesses, healthcare providers, government

agencies, elected officials, faith communities, other area

not-for-profits, caregivers and last, but not least, 80 elderly residents

and/or their primary caregivers. The interviews were conducted in late

2011 through early 2012 in Hays, Manhattan, Pittsburg, Wamego and Wichita

Kansas, as well as in Ponca City, Oklahoma.

In the Wichita market, 56 one-on-one interviews were conducted and several

focus groups with a total of 37 residents of Via Christi Villages. All

people participating in this Aging Assessment are listed in Attachment A

and can be accessed at the following website.

<http://www.via-christi.org/workfiles/community-benefit/Aging-Assessment>

-VCV-Markets.pdf

Part V, Section B, line 4: The CHNA focused on the aging population

within geographical areas where Via Christi Health has hospital and senior

living ministries. The participating partners included: Via Christi

Villages in Hays, Manhattan, Pittsburg and Wichita, Kansas and Ponca City,

Oklahoma; Via Christi Health; Via Christi Hospitals - Wichita; Via Christi

Hospital - St. Teresa; Via Christi Rehabilitation Hospital; Via Christi

Hospital - Pittsburg; Mercy Regional Health Center; Wamego City Hospital.

Part VI Supplemental Information

The Director of Community Benefit for Via Christi Health was invited to submit an article for publication in the Catholic Health Association's bi-monthly Health Progress Journal. This article is available online at <http://www.chausa.org/publications/health-progress/september-october-2012>.

Part V, Section B, line 7: The Hospital facility did not address all the significant needs identified in its most recently conducted CHNA. See below for specifics:

CHNA Finding**Transportation for Health Appointments:**

Transportation for low income and elderly is already available through Red Cross and the City of Wichita has done some re-routing to improve bus service to FQHC locations.

Use of Navigators to Coordinate Health Care Service Delivery:

VCHW has already done some of this work with Coventry Insurance and 19 more navigators/CAC have been made available through the Accountable Care Organization delivery service. In addition, VCHW just received a grant to start tracking cancer patients with navigators.

Via Christi HOPE Program Needs to be Expanded:

Via Christi Village is already pursuing this need and is discussing the feasibility of this expansion with the state of Kansas. It is unknown how far the reach would be at this time.

Fewer Physicians Accepting Medicare/Medicaid Patients:

Via Christi Clinic physicians are already working on this issue with Via

Part VI Supplemental Information

Christi related PCPs as this is an expectation of all VCH associated physicians.

Part V, Section B, line 14g: A plain language summary of the financial assistance policy is publicized the following ways:

- Provided, in writing, to patients on admission to the hospital facility
- Available upon request

The full financial assistance policy is available upon request.

Part V, Section B, line 18e: Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy of VCHW does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy.

Reasonable efforts taken include but are not limited to:

- Notifying individuals of the financial assistance policy on admission;
- Notifying individuals of the financial assistance policy prior to discharge;
- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills;
- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy.

Facility 2 -- Via Christi Hospitals Wichita, Inc.

Part V, Section B, line 3: In 2012, Via Christi conducted a state-wide aging assessment in localities where the organization owned hospitals

Part VI Supplemental Information

and/or senior living facilities. In total, 224 interviews were completed with individuals representing businesses, healthcare providers, government agencies, elected officials, faith communities, other area not-for-profits, caregivers and last, but not least, 80 elderly residents and/or their primary caregivers. The interviews were conducted in late 2011 through early 2012 in Hays, Manhattan, Pittsburg, Wamego and Wichita Kansas, as well as in Ponca City, Oklahoma.

In the Wichita market, 56 one-on-one interviews were conducted and several focus groups with a total of 37 residents of Via Christi Villages. All people participating in this Aging Assessment are listed in Attachment A and can be accessed at the following website.

<http://www.via-christi.org/workfiles/community-benefit/Aging-Assessment-VCV-Markets.pdf>

Part V, Section B, line 4: The CHNA focused on the aging population within geographical areas where Via Christi Health has hospital and senior living ministries. The participating partners included: Via Christi Villages in Hays, Manhattan, Pittsburg and Wichita, Kansas and Ponca City, Oklahoma; Via Christi Health; Via Christi Hospitals - Wichita; Via Christi Hospital - St. Teresa; Via Christi Rehabilitation Hospital; Via Christi Hospital - Pittsburg; Mercy Regional Health Center; Wamego City Hospital.

The Director of Community Benefit for Via Christi Health was invited to submit an article for publication in the Catholic Health Association's bi-monthly Health Progress Journal. This article is available online at <http://www.chausa.org/publications/health-progress/september-october-2012>.

Part VI Supplemental Information

Part V, Section B, line 7: The Hospital facility did not address all the significant needs identified in its most recently conducted CHNA. See below for specifics:

CHNA Finding**Transportation for Health Appointments:**

Transportation for low income and elderly is already available through Red Cross and the City of Wichita has done some re-routing to improve bus service to FQHC locations.

Use of Navigators to Coordinate Health Care Service Delivery:

VCHW has already done some of this work with Coventry Insurance and 19 more navigators/CAC have been made available through the Accountable Care Organization delivery service. In addition, VCHW just received a grant to start tracking cancer patients with navigators.

Via Christi HOPE Program Needs to be Expanded:

Via Christi Village is already pursuing this need and is discussing the feasibility of this expansion with the state of Kansas. It is unknown how far the reach would be at this time.

Fewer Physicians Accepting Medicare/Medicaid Patients:

Via Christi Clinic physicians are already working on this issue with Via Christi related PCPs as this is an expectation of all VCH associated physicians.

Part V, Section B, line 14g: A plain language summary of the financial assistance policy is publicized the following ways:

Part VI Supplemental Information

- Provided, in writing, to patients on admission to the hospital facility
- Available upon request

The full financial assistance policy is available upon request.

Part V, Section B, line 18e: Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy of VCHW does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy.

Reasonable efforts taken include but are not limited to:

- Notifying individuals of the financial assistance policy on admission;
- Notifying individuals of the financial assistance policy prior to discharge;
- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills;
- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy.

Facility 3 -- Via Christi Behavioral Health Center

Part V, Section B, line 3: In 2012, Via Christi conducted a state-wide aging assessment in localities where the organization owned hospitals and/or senior living facilities. In total, 224 interviews were completed with individuals representing businesses, healthcare providers, government agencies, elected officials, faith communities, other area not-for-profits, caregivers and last, but not least, 80 elderly residents and/or their primary caregivers. The interviews were conducted in late

Part VI Supplemental Information

2011 through early 2012 in Hays, Manhattan, Pittsburg, Wamego and Wichita
Kansas, as well as in Ponca City, Oklahoma.

In the Wichita market, 56 one-on-one interviews were conducted and several
focus groups with a total of 37 residents of Via Christi Villages. All
people participating in this Aging Assessment are listed in Attachment A
and can be accessed at the following website.

[http://www.via-christi.org/workfiles/community-benefit/Aging-Assessment
-VCV-Markets.pdf](http://www.via-christi.org/workfiles/community-benefit/Aging-Assessment-VCV-Markets.pdf)

Part V, Section B, line 4: The CHNA focused on the aging population
within geographical areas where Via Christi Health has hospital and senior
living ministries. The participating partners included: Via Christi
Villages in Hays, Manhattan, Pittsburg and Wichita, Kansas and Ponca City,
Oklahoma; Via Christi Health; Via Christi Hospitals - Wichita; Via Christi
Hospital - St. Teresa; Via Christi Rehabilitation Hospital; Via Christi
Hospital - Pittsburg; Mercy Regional Health Center; Wamego City Hospital.

The Director of Community Benefit for Via Christi Health was invited to
submit an article for publication in the Catholic Health Association's
bi-monthly Health Progress Journal. This article is available online at
<http://www.chausa.org/publications/health-progress/september-october-2012>.

Part V, Section B, line 7: The Hospital facility did not address all the
significant needs identified in its most recently conducted CHNA. See
below for specifics:

CHNA Finding

Part VI Supplemental InformationTransportation for Health Appointments:

Transportation for low income and elderly is already available through Red

Cross and the City of Wichita has done some re-routing to improve bus

service to FQHC locations.

Use of Navigators to Coordinate Health Care Service Delivery:

VCHW has already done some of this work with Coventry Insurance and 19

more navigators/CAC have been made available through the Accountable Care

Organization delivery service. In addition, VCHW just received a grant to

start tracking cancer patients with navigators.

Via Christi HOPE Program Needs to be Expanded:

Via Christi Village is already pursuing this need and is discussing the

feasibility of this expansion with the state of Kansas. It is unknown how

far the reach would be at this time.

Fewer physicians Accepting Medicare/Medicaid Patients:

Via Christi Clinic physicians are already working on this issue with Via

Christi related PCPs as this is an expectation of all VCH associated

physicians.

Part V, Section B, line 14g: A plain language summary of the financial

assistance policy is publicized the following ways:

- Provided, in writing, to patients on admission to the hospital facility

- Available upon request

The full financial assistance policy is available upon request.

Part VI Supplemental Information

Part V, Section B, line 18e: Question 18 is more appropriately answered as

not applicable as the Billing and Collections Policy of VCHW does not

allow a hospital to engage in extraordinary collection actions before the

organization made reasonable efforts to determine whether the individual

is eligible for assistance under the financial assistance policy.

Reasonable efforts taken include but are not limited to:

- Notifying individuals of the financial assistance policy on admission;

- Notifying individuals of the financial assistance policy prior to

discharge;

- Notifying individuals of the financial assistance policy in

communications with the patients regarding the patients' bills;

- Documenting its determination of whether patients were eligible for

financial assistance under the hospital facility's financial assistance

policy.

SCHEDULE I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

Part I General information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

| 1 (a) Name and address of organization or government | (b) EIN | (c) IRC section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--|------------|-------------------------------|--------------------------|-----------------------------------|---|--|------------------------------------|
| Wichita Metro Chamber 350 W. Douglas Avenue Wichita, KS 67202 | 48-0477290 | 501(c)(6) | 25,000. | 0. | | | Professional Dev. |
| Via Christi Health, Inc. 1156 S. Clifton Avenue Wichita, KS 67218 | 48-1173588 | 501(c)(3) | 337,500. | 0. | | | Program Expenses |
| Ronald McDonald House Charities of Wichita, Inc. - 1110 N. Emporia - Wichita, KS 67214 | 48-0918101 | 501(c)(3) | 5,500. | 0. | | | Medical Care |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

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

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

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

Schedule I (Form 990) (2012)

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

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

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

Schedule I, Part I, Line 2: Scholarships are given to both employees and non-employees who are accepted into an approved degree program in the last year to two years before graduation. Scholarships are monitored through the education department staff. Scholarships are renewable each semester. To renew the scholarship, students must submit a completed renewal application, a copy of their pre-registration schedule for the upcoming semester, and a copy of their current course grades upon completion of each semester. Students must maintain a 3.0 GPA and be a resident of Kansas and a citizen or National of the U.S. Students who choose not to renew their

| | |
|----------------|---------------------------------|
| Part IV | Supplemental Information |
|----------------|---------------------------------|

scholarship or are ineligible to renew their scholarship must continue to
submit their pre-registration schedule for the upcoming semester and a copy
of their current course grades upon completion of each semester to ensure
they are continuing in their course of study. If students drop out of a
program, all scholarship monies are immediately due and payable back to the
Hospital.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2012

**Open to Public
Inspection**

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

Part I Questions Regarding Compensation

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)?

Yes No

1b X

2 X

4a X

4b X

4c X

5a X

5b X

6a X

6b X

7 X

8 X

9

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

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 | | | | |
| (1) Donald Seery, M.D. Trustee | (i) 200,332. (ii) 0. | 0. | 2,859. 0. | 18,458. 0. | 15,068. 0. | 236,717. 0. | 0. 0. |
| (2) Carleton Rider Chief Admin Officer | (i) 0. (ii) 332,307. | 0. 0. | 0. 66,312. | 0. 8,123. | 0. 1,221. | 0. 407,963. | 0. 0. |
| (3) David Hadley Assistant Treasurer | (i) 0. (ii) 449,502. | 0. 116,160. | 0. 10,511. | 0. 99,950. | 0. 24,438. | 0. 700,561. | 0. 0. |
| (4) Gary Knight Assistant Secretary | (i) 0. (ii) 301,239. | 0. 76,908. | 0. 8,102. | 0. 93,446. | 0. 15,036. | 0. 494,731. | 0. 0. |
| (5) Michael Wegner Sr. Administer Finance | (i) 377,962. (ii) 0. | 57,487. 0. | 6,697. 0. | 51,075. 0. | 16,644. 0. | 509,865. 0. | 0. 0. |
| (6) Claudio Ferraro Sr. Admin Clinical | (i) 246,592. (ii) 0. | 48,290. 0. | 4,537. 0. | 43,792. 0. | 16,034. 0. | 359,245. 0. | 0. 0. |
| (7) Hewitt Goodpasture Physician Dir. of Quality | (i) 165,714. (ii) 0. | 75. 0. | 23,513. 0. | 15,770. 0. | 16,048. 0. | 221,120. 0. | 0. 0. |
| (8) Linda Goodwin Chief Nurse Officer | (i) 249,490. (ii) 0. | 38,959. 0. | 7,175. 0. | 31,409. 0. | 12,749. 0. | 339,782. 0. | 0. 0. |
| (9) Sherry Hausmann Sr. Admin Hos Ops | (i) 364,025. (ii) 0. | 70,794. 0. | 5,299. 0. | 48,133. 0. | 15,840. 0. | 504,091. 0. | 0. 0. |
| (10) Art Huber Sr. Administrator Facilities | (i) 198,689. (ii) 0. | 31,293. 0. | 5,858. 0. | 29,348. 0. | 16,136. 0. | 281,324. 0. | 0. 0. |
| (11) Laurie Labarca Admin. Hospital Ops | (i) 372,306. (ii) 0. | 43,175. 0. | 6,803. 0. | 51,612. 0. | 16,351. 0. | 490,247. 0. | 745. 0. |
| (12) Cynthia Lafleur Sr. Admin Post Acute | (i) 170,648. (ii) 0. | 26,347. 0. | 3,816. 0. | 26,013. 0. | 2,961. 0. | 229,785. 0. | 0. 0. |
| (13) Steve Nesbit Chief Hosp. Med. Officer | (i) 366,596. (ii) 0. | 57,724. 0. | 60,518. 0. | 38,711. 0. | 20,384. 0. | 543,933. 0. | 0. 0. |
| (14) Lori Grubs VP HR | (i) 261,690. (ii) 0. | 61,996. 0. | 26,084. 0. | 18,216. 0. | 10,530. 0. | 378,516. 0. | 0. 0. |
| (15) Jon C. Anders, M.D. Physician | (i) 467,490. (ii) 0. | 320,785. 0. | 19,210. 0. | 17,500. 0. | 13,941. 0. | 838,936. 0. | 0. 0. |
| (16) Mohammed A. Ansari, M.D. Physician | (i) 476,065. (ii) 0. | 0. 0. | 3,225. 0. | 23,111. 0. | 23,008. 0. | 525,409. 0. | 0. 0. |

Schedule J (Form 990) 2012

Part III Supplemental Information

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

Part I, Line 1a: The following Via Christi Hospital Wichita executives

were on a 4/03/13 charter flight - Carleton Rider, Sherry Hausmann, Cindy

Lafleur, Art Huber, and Mike Wegner to visit Avera Behavioral Site.

Jeff Korsmo, Steve Nesbit, and Carleton Rider received grossed up payments

that were treated as taxable compensation.

Part I, Line 3: Via Christi Hospitals Wichita, Inc. uses the following

policies established by Via Christi Health, Inc., a related organization:

- Compensation Committee

- Independent Compensation Consultant

- Compensation Survey or Study

- Approval by the Board or Compensation Committee

Part I, Line 4a: The following individual received a

severance payment in the amount as noted:

Lori Grugs - \$20,900

Part I, Line 4b: Eligible executives participate in a program that provides

Part III Supplemental Information

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

for supplemental retirement benefits. The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization.

Benefits under the program are funded annually based on participation and

are not vested until the 5 year service requirement is reached. Due to the

substantial risk of forfeiture provision, there is no guarantee that these

executives will ever receive any benefit under the program. The amount

funded annually under the program to the executives is reported as

compensation on Form 990 Schedule J, Part II, Column B in the year funded.

The amount ultimately paid under the program to executives is reported on

Form 990 Schedule J, Part II, Column F.

The following individuals contributed amounts to a supplemental

non-qualified retirement plan in the amount as noted:

Cindy Lafleur - \$10,252

Laurie Labarca - \$29,351

Arthur Huber - \$12,176

Linda Goodwin - \$15,159

Claudio Ferraro - \$20,042

Part III Supplemental Information

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

Steve Nesbit - \$22,461

Sherri Hausmann - \$29,383

Mike Wegner - \$29,825

Gary Knight - \$72,904

Jeff Korsmo - \$161,276

David Hadley - \$81,200

Eligible executives participated in a frozen supplemental option benefit

program that provides for supplemental retirement benefits that was limited

to Via Christi Hospital St. Francis, Preferred Medical Associates

Physicians, Mount Carmel Regional Medical Center and Via Christi Health

system executives. The payment of benefits under the program, if any, was

linked to the exercise date for the options or to earned dividends on the

options. Executives were vested in full when the options were granted. The

amount ultimately paid under the program to executives receiving net option

value is reported on Form 990 Schedule J, Part II, Column F.

The following individual received a payment from a non-qualified retirement

plan in 2012:

Part III Supplemental Information

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

Laurie Labarca - \$745

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

Form 990, Part III, Line 1, Description of Organization Mission:

years and today, along with our sponsoring organization, Ascension

Health, we continue to respond to community needs in Kansas and

northeastern Oklahoma.

Form 990, Part VI, Section A, line 2: Many of the persons listed on Part

VII have a "business relationship" with each other by virtue of sitting on

related Via Christi Health, Inc. entity boards.

Form 990, Part VI, Section A, line 4: As a result of the transition by

Via Christi Health, Inc. ("VCH") to 100% membership by Ascension Health and

sponsorship by Ascension Health Ministries, Bylaws of VCH and its wholly

owned corporate subsidiaries were revised in accordance with the Ascension

Health Model Bylaws for its health ministries.

The vast majority of revisions pertained to the change in sponsorship,

e.g., adding a definitions section (Section 1.1), updating the identity of

the Corporate Member (Section 2.1) and Sponsor (Section 1.1-q) as well as

revisions to the dissolution provisions (Article X). The numbering order of

several Articles was also revised. Overall, the language of the existing

VCH and subsidiary corporate Bylaws was generally consistent with the model

Bylaws of Ascension Health.

The following changes were made in the organization's bylaws:

- Appointment of Board Chair - In addition to appointing and removing

Directors, Ascension Health reserved the right to appoint the Board Chair

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

Schedule O (Form 990 or 990-EZ) (2012)

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01-04-13

| | |
|-------------------------------------|--------------------------------|
| Name of the organization | Employer identification number |
| Via Christi Hospitals Wichita, Inc. | 48-1172106 |

(Section 4.2-d).

- Fiscal Year - The fiscal year changed to July 1-June 30 from October

1-September 30 (Section 9.1).

- Ex-Officio Directors - The number of ex officio members of the Board

(Section 4.3) was simplified in that the Ascension Health model Bylaws call

for the board to consist of at least one (1) religious affiliated with the

Participating Entities.

- Board Committees - Changes were made to reflect the consolidation of

Audit Committee and Physician Transactions review Committee at the VCH,

Inc. level (see Standing Committees in subsidiaries' Bylaws, Section 7.3).

- Ex-Officio Directors - Ex officio members of the Board, with vote,

(Section 4.3) include the President of the Corporation and, in the case of

hospitals, the President of the Medical Staff.

Form 990, Part VI, Section A, line 6: Via Christi Hospitals Wichita, Inc.

has a single corporate member, Via Christi Health, Inc.

Form 990, Part VI, Section A, line 7a: Via Christi Hospitals Wichita, Inc.

has a single corporate member, Via Christi Health, Inc., who has the

ability to elect members to the governing body of the Via Christi Hospitals

Wichita, Inc.

Form 990, Part VI, Section A, line 7b: All decisions that have a material

impact to Via Christi Hospitals Wichita, Inc. financial information or

corporation as a whole are subject to approval by its sole corporate

member, Via Christi Health, Inc.

Form 990, Part VI, Section B, line 11: Management, including certain

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Schedule O (Form 990 or 990-EZ) (2012)

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number

48-1172106

officers, work diligently to complete the Form 990 and attached schedules

in a thorough manner. Prior to filing the return, all Board Members are

provided the Form 990 and management team members are available to answer

any Board Members' questions.

Form 990, Part VI, Section B, Line 12c: Due to the short year period, a

conflict of interest disclosure was not completed by the close of the

fiscal year for the board of directors. However, it was completed within

one year of the last disclosure. The following details the organization's

standard annual procedure for conflicts of interest.

The organization's policy is monitored as part of the system-wide

procedures and not at the organizational level. The system-wide procedures

are as follows:

1 - At time of appointment and annually thereafter, all interested persons,

including board and committee members, complete a disclosure statement

which addresses actual or potential conflicts of interest;

2 - The disclosure statement is done electronically and the return of the

completed statement is a condition of continued appointment, employment, or

participation with the organization;

3 - All actual or potential conflicts are reviewed, investigated, and

resolved by the chief governance officer and the corporate responsibility

officer, with the results shared with the chief executive of the

organization; and

4 - Periodic reviews are conducted by governance, compliance, and internal

audit to ensure the organization is operating consistent with the policy

and enforcing the policy's terms.

| | |
|-------------------------------------|--------------------------------|
| Name of the organization | Employer identification number |
| Via Christi Hospitals Wichita, Inc. | 48-1172106 |

Form 990, Part VI, Section B, Line 15: Via Christi Hospitals Wichita, Inc.

uses the policies established by Via Christi Health, Inc. (VCH). VCH has

established a common philosophy, strategy, and processes for executive

compensation. Through the oversight of the VCH Executive Compensation

Committee, executive compensation is competitively positioned at its stated

market position when compared to the compensation paid by relevant

organizations (comparably-sized health systems, hospitals, and long-term

care providers).

VCH recognizes its responsibility to ensure that its executive compensation

program is appropriate in view of its mission and tax-exempt status and

that its compensation levels and expenditures are reasonable and not

excessive. To ensure these ends, the VCH Executive Compensation Committee

has established and approved the executive compensation philosophy for VCH

and all related entities. It will also approve all changes in the

compensation package for VCH executives in advance. On an annual basis, the

committee conducts a comprehensive review of total compensation for all

executives. It also reviews and approves "off-cycle" compensation

transactions as needed.

In their review, the committee considers the following factors:

- Market data from independent compensation surveys and sources that reflect comparable positions in organizations of similar size and scope;
- Difficulties in recruiting and retaining executives;
- Skills, experience and performance history of individual executives;
- Critical business or strategic issues that the organization may face;

and

- Market position for total compensation.

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01-04-13

| | |
|-------------------------------------|--------------------------------|
| Name of the organization | Employer identification number |
| Via Christi Hospitals Wichita, Inc. | 48-1172106 |

The adequacy, competitiveness, and cost of the VCH total executive compensation program are reviewed on an ongoing basis and changes are made as the committee determines appropriate. The executive compensation program will be maintained such that it will fall within the safe harbor guidelines established by the intermediate sanctions regulations.

The committee also employs the services of an independent compensation consultant to prepare market analysis to aid and support the committee's actions, provide documentation of market trends for budget setting purposes, review annual compensation changes to ensure "reasonableness" and provide attestation, and provide consultation on all executive compensation issues. The committee also relies on third-party validation of performance measures used in the determination of compensation.

Form 990, Part VI, Section C, Line 19: Via Christi Hospitals Wichita, Inc.'s governing documents and Conflict of Interest Policy are available to the public upon request.

Form 990, Part VII, Section A:

Sister Agnes Weber and Sister Sherri Marie Kuhn both receive compensation from Catholic Care Center and Via Christi Hospital Wichita, Inc., respectively. Their compensation is not paid directly to them but is paid to their religious orders in accordance with their vow of poverty.

Form 990, Part VII, Section B:

The payments reported on Form 990, Part VII, Section B from JE Dunn

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01-04-13

Schedule O (Form 990 or 990-EZ) (2012)

| | |
|-------------------------------------|--------------------------------|
| Name of the organization | Employer identification number |
| Via Christi Hospitals Wichita, Inc. | 48-1172106 |

Construction Co. represents payments for both good and services. These amounts cannot be separated.

Form 990, Part IX, Line 11g, Other Fees:

PMA - Allocated Service Fees:

| | |
|---------------------------------|----------|
| Program service expenses | 235,311. |
| Management and general expenses | 41,023. |
| Fundraising expenses | 0. |
| Total expenses | 276,334. |

VCRMC - Allocated Service Fees:

| | |
|--|-------------|
| Program service expenses | 28,337,711. |
| Management and general expenses | 39,609,158. |
| Fundraising expenses | 0. |
| Total expenses | 67,946,869. |
| Total Other Fees on Form 990, Part IX, line 11g, Col A | 68,223,203. |

Form 990, Part XI, line 9, Changes in Net Assets:

| | |
|--|--------------|
| Remove Beneficial Interest in Foundation | -15,490,100. |
| Change in Net Assets of Joint Ventures | -293,184. |
| Foundation-Released Funds | 724,425. |
| Transfers between Entities | 630,851. |
| Ascension Adjustments | -15,243,921. |
| Pension Adjustments | 46,808,289. |
| Total to Form 990, Part XI, Line 9 | 17,136,360. |

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Organizations

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

OMB No. 1545-0047

2012
Open to Public
Inspection

Name of the organization

Via Christi Hospitals Wichita, Inc.

Employer identification number
48-1172106

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 |
|---|-------------------------|---|---------------------|---------------------------|--|
| Via Christi Emergency Physician Services, LLC - 45-0528343, 929 N. Saint Francis, Wichita, KS 67214 | Physician Services | Kansas | -2,597,602. | 6,389 | Via Christi Hospitals Wichita, Inc. |
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| | | | | | |

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 |
| Ascension Health - 31-1662309 | | | | | | | |
| P.O. Box 45998 | | | | | | | |
| St. Louis, MO 63145 | National Health System | Missouri | Section 501(c)(3) | Schedule A, Line 11a | Ascension Health Alliance | | X |
| Marian Health System, Inc. - 36-3659989 | | | | | | | |
| 1923 South Utica Avenue | Health System Parent | Delaware | Section 501(c)(3) | Schedule A, Line 11a | N/A | | X |
| Tulsa, OK 74104 | | | | | | | |
| Via Christi Health, Inc. - 48-1172107 | | | | | | | |
| 8200 E. Thorn Drive, Suite 300 | Health System Parent | Kansas | Section 501(c)(3) | Schedule A, Line 11c | Ascension Health/Marian Health System, | | X |
| Wichita, KS 67226 | | | | | | | |
| Via Christi Villages, Inc. - 48-0559086 | | | | | | | |
| 2622 W. Central, Suite 100 | Management Company | Kansas | Section 501(c)(3) | Schedule A, Line 11c | Via Christi Health, Inc. | | X |
| Wichita, KS 67203 | | | | | | | |

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

Schedule R (Form 990) 2012

See Part VII for Continuations

Part II Continuation of Identification of Related Tax-Exempt Organizations

| (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 organization? | |
|---|-------------------------|---|-------------------------------|---|--|--|----|
| | | | | | | Yes | No |
| Cornerstone Assisted Living, Inc. - 48-1241079, 2622 W. Central, Suite 100, Wichita, KS 67203 | Retirement Home | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| St. John's, Inc. (dba Via Christi Village Hays, Inc.) - 20-2828680, 2225 Canterbury Drive, Hays, KS 67601 | Retirement Home | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Care at Home, Inc. (f/k/a Via Christi InMyHome, Inc.) - 27-18899, 2622 W. Central, Suite 100, Wichita, KS 67203 | Health Agency | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi HOPE, Inc. - 48-1236589 2622 W. Central, Suite 101 Wichita, KS 67203 | PACE Community Program | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Village Georgetown, Inc. - 48-1129325, 1655 S. Georgetown, Wichita, KS 67218 | Retirement Home | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Village Manhattan, Inc. - 48-1078862, 2800 Willow Grove Road, Manhattan, KS 66502 | Retirement Home | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Village McLean, Inc. - 48-1247723, 777 N. McLean Blvd., Wichita, KS 67203 | Retirement Home | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Village Pittsburg, Inc. - 74-3070971, 1502 E. Centennial Drive, Pittsburg, KS 66762 | Retirement Home | Kansas | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Village Ponca City, Inc. - 73-1153337, 1601 Academy Road, Ponca City, OK 74604 | Retirement Home | Oklahoma | Section 501(c)(3) | Schedule A, Line 9 | Via Christi Villages, Inc. | | X |
| Via Christi Hospital Pittsburg, Inc. - 48-0543778, 1 Mt. Carmel Way, Pittsburg, KS 66762 | Hospital | Kansas | Section 501(c)(3) | Schedule A, Line 3 | Via Christi Health, Inc. | | X |
| Mount Carmel Foundation, Inc. - 48-0961283 1 Mt. Carmel Way Pittsburg, KS 66762 | Foundation | Kansas | Section 501(c)(3) | Schedule A, Line 11a | Via Christi Hospital Pittsburg, Inc. | | X |
| Via Christi Hospital Wichita St. Teresa, Inc. - 27-1965272, 14800 W. St. Teresa, Wichita, KS 67235 | Hospital | Kansas | Section 501(c)(3) | Schedule A, Line 3 | Via Christi Health, Inc. | | X |

Continuation of Identification of Related Tax-Exempt Organizations[illegible]

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) Disproportion- ate 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 | | | |
| Ambulatory Surgery Center, L.P. (dba Center for Same Day Surgery) - 48-11146, 8200 E. Thorn Drive, Suite 300, AMS Diagnostics, LLC - 48-1223653, 8200 E. Thorn Drive, Suite 300, Wichita, KS 67226 | Surgery Center | KS | N/A | N/A | N/A | N/A | | | N/A | N/A | N/A |
| Kansas Surgery and Recovery Center, LLC - 48-1148580, 2770 North Webb Road, Wichita, KS 67226 | Radiology Services | KS | N/A | N/A | N/A | N/A | | | N/A | N/A | N/A |
| MR Imaging Center, LLC (dba Anatomi Imaging-St. Francis MRI) - 48-1000538, 8200 E. Thorn Drive, Suite 300, | Surgery Center | KS | N/A | N/A | N/A | N/A | | | N/A | N/A | N/A |
| Imaging Center | | KS | N/A | N/A | N/A | N/A | | | N/A | N/A | N/A |

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership | (i) Section 512(b)(13) controlled entity? | |
|---|-----------------------------|---|-------------------------------------|--|---------------------------------|--|--------------------------------|---|----|
| | | | | | | | | Yes | No |
| Affiliated Medical Services Laboratory, Inc. - 48-1239522, 2916 E. Central, Wichita, KS 67214 | Medical Laboratory | KS | N/A | C CORP | N/A | N/A | N/A | | X |
| Integrated Healthcare Systems, Inc. - 48-0941549, 3311 East Murdock, Wichita, KS 67208 | Clinic Services | KS | N/A | C CORP | N/A | N/A | N/A | | X |
| VCH Iowa, P.C. Trust - 27-6937322 8200 E. Thorn Drive, Suite 300 Wichita, KS 67226 | Beneficiary Trust | IA | N/A | TRUST | N/A | N/A | N/A | | X |
| VCH Iowa, P.C. - 27-3983977 8200 E. Thorn Drive, Suite 300 Wichita, KS 67226 | Professional Association | IA | N/A | C CORP | N/A | N/A | N/A | | X |
| Via Christi Clinic, P.A. - 48-0993446 3311 East Murdock Wichita, KS 67208 | Professional Association | KS | N/A | C CORP | N/A | N/A | N/A | | X |

[illegible]

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35b, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?**a** Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity**b** Gift, grant, or capital contribution to related organization(s)**c** Gift, grant, or capital contribution from related organization(s)**d** Loans or loan guarantees to or for related organization(s)**e** Loans or loan guarantees by related organization(s)**f** Dividends from related organization(s)**g** Sale of assets to related organization(s)**h** Purchase of assets from related organization(s)**i** Exchange of assets with related organization(s)**j** Lease of facilities, equipment, or other assets to related organization(s)**k** Lease of facilities, equipment, or other assets from related organization(s)**l** Performance of services or membership or fundraising solicitations for related organization(s)**m** Performance of services or membership or fundraising solicitations by related organization(s)**n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)**o** Sharing of paid employees with related organization(s)**p** Reimbursement paid to related organization(s) for expenses**q** Reimbursement paid by related organization(s) for expenses**r** Other transfer of cash or property to related organization(s)**s** Other transfer of cash or property from related organization(s)**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) Via Christi Health, Inc. | B | 337,500 Actual | Amount Transferred |
| (2) Via Christi Health, Inc. | R | 76,638 Actual | Amount Transferred |
| (3) Via Christi Hospital Wichita St. Teresa, Inc. | M | 1,160,421 Actual | Amount Transferred |
| (4) Via Christi Hospital Wichita St. Teresa, Inc. | S | 2,286,121 Actual | Amount Transferred |
| (5) Via Christi Hospital Wichita St. Teresa, Inc. | Q | 2,314,480 Actual | Amount Transferred |
| (6) Via Christi Rehabilitation Hospital, Inc. | R | 521,392 Actual | Amount Transferred |

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Part V Continuation of Transactions With Related Organizations (Schedule R (Form 990), Part V, line 2)

| (a) Name of other organization | (b) Transaction type (a-r) | (c) Amount involved | (d) Method of determining amount involved |
|---|----------------------------------|------------------------|---|
| (7) Via Christi Rehabilitation Hospital, Inc. | Q | 374,983. | Actual Amount Transferred |
| (8) Via Christi Health Partners, Inc. | S | 409,000. | Actual Amount Transferred |
| (9) Via Christi Health Partners, Inc. | P | 410,500. | Actual Amount Transferred |
| (10) Via Christi Property Services, Inc. | J | 108,472. | Actual Amount Transferred |
| (11) Via Christi Property Services, Inc. | S | 64,818. | Actual Amount Transferred |
| (12) Via Christi Hospital Pittsburgh, Inc. | R | 292,941. | Actual Amount Transferred |
| (13) Via Christi Hospital Pittsburgh, Inc. | Q | 251,374. | Actual Amount Transferred |
| (14) Via Christi Health, Inc. | M | 11,966,231. | Actual Amount Transferred |
| (15) Via Christi Health, Inc. | I | 10,945,768. | Actual Amount Transferred |
| (16) Via Christi Health, Inc. | P | 41,490,679. | Actual Amount Transferred |
| (17) Via Christi Health, Inc. | S | 164,301,172. | Actual Amount Transferred |
| (18) Via Christi Health, Inc. | B | 1,330,415. | Actual Amount Transferred |
| (19) Via Christi Health, Inc. | C | 128,798. | Actual Amount Transferred |
| (20) Via Christi Health, Inc. | Q | 7,120,438. | Actual Amount Transferred |
| (21) Via Christi Health, Inc. | O | 2,010,821. | Actual Amount Transferred |
| (22) Via Christi Health, Inc. | L | 157,215. | Actual Amount Transferred |
| (23) Integrated Healthcare Systems, Inc. | Q | 92,544. | Actual Amount Transferred |
| (24) Integrated Healthcare Systems, Inc. | M | 346,416. | Actual Amount Transferred |

Part V Continuation of Transactions With Related Organizations (Schedule R (Form 990), Part V, line 2)

| (a) Name of other organization | (b) Transaction type (a-r) | (c) Amount involved | (d) Method of determining amount involved |
|--|----------------------------------|------------------------|---|
| (7) Affiliated Medical Services Laboratory, Inc. | R | 248,477 | Actual Amount Transferred |
| (8) Affiliated Medical Services Laboratory, Inc. | M | 140,835 | Actual Amount Transferred |
| (9) Affiliated Medical Services Laboratory, Inc. | Q | 93,213 | Actual Amount Transferred |
| (10) AMS Diagnostics, LLC | R | 98,496 | Actual Amount Transferred |
| (11) AMS Diagnostics, LLC | Q | 95,881 | Actual Amount Transferred |
| (12) St. Joseph MRI, LLC | R | 98,855 | Actual Amount Transferred |
| (13) St. Joseph MRI, LLC | K | 79,583 | Actual Amount Transferred |
| (14) Via Christi Cyberknife, LLC | S | 220,007 | Actual Amount Transferred |
| (15) Via Christi Cyberknife, LLC | P | 110,004 | Actual Amount Transferred |
| (16) Kansas Surgery and Recovery Center, LLC | M | 55,033 | Actual Amount Transferred |
| (17) Kansas Surgery and Recovery Center, LLC | P | 52,302 | Actual Amount Transferred |
| (18) | | | |
| (19) | | | |
| (20) | | | |
| (21) | | | |
| (22) | | | |
| (23) | | | |
| (24) | | | |

Part VII Supplemental Information

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

Part II, Identification of Related Tax-Exempt Organizations:

Name of Related Organization:

Via Christi Health, Inc.

Direct Controlling Entity: Ascension Health/Marian Health System, Inc.

Part III, Identification of Related Organizations Taxable as Partnership:

Name, Address, and EIN of Related Organization:

Ambulatory Surgery Center, L.P. (dba Center for Same Day
Surgery)

EIN: 48-1114690

8200 E. Thorn Drive, Suite 300

Wichita, KS 67226

Name, Address, and EIN of Related Organization:

MR Imaging Center, LLC (dba Anatomi Imaging-St. Francis
MRI)

EIN: 48-1000538

8200 E. Thorn Drive, Suite 300

Wichita, KS 67226

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

| | | |
|--|---|---|
| Type or print File by the due date for filing your return. See instructions | Name of exempt organization or other filer, see instructions. Via Christi Hospitals Wichita, Inc. | Employer identification number (EIN) or 48-1172106 |
| | Number, street, and room or suite no. If a P.O. box, see instructions. 929 North Saint Francis | Social security number (SSN) |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions. Wichita, KS 67214 | |

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-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 |

Shelly Trent

- The books are in the care of 8200 East Thorn Drive, Suite 300 - Wichita, KS 67226
Telephone No. (316) 719-3200 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 17, 2014, to file the exempt organization return for the organization named above. The extension is for the organization's return for.
☐ calendar year or
☒ tax year beginning OCT 1, 2012, and ending JUN 30, 2013.

- 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 | \$ | 0. |
| 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 | \$ | 0. |
| 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 | \$ | 0. |

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.

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

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 ☒ **X**

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).

| Enter filer's identifying number, see instructions | |
|--|---|
| Type or print | Name of exempt organization or other filer, see instructions |
| File by the due date for filing your return See instructions | Via Christi Hospitals Wichita, Inc. |
| | Employer identification number (EIN) or 48-1172106 |
| | Number, street, and room or suite no. If a P O box, see instructions. |
| | 929 North Saint Francis |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions |
| | Wichita, KS 67214 |

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.

Shelly Trent

- The books are in the care of ☒ 8200 East Thorn Drive, Suite 300 - Wichita, KS 67226

Telephone No ☒ (316) 719-3200

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, 2014

5 For calendar year ☐, or other tax year beginning OCT 1, 2012, and ending JUN 30, 2013

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 required to gather information 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 | \$ | 0. |
| 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 | \$ | 0. |
| 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 | \$ | 0. |

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 ☐

Title ☐

Date ☐

Form 8868 (Rev 1-2013)

[illegible]

CONSOLIDATED FINANCIAL
STATEMENTS AND SUPPLEMENTARY
INFORMATION

Ascension Health Alliance
Years Ended June 30, 2013 and 2012
With Reports of Independent Auditors

Ascension Health Alliance

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2013 and 2012

Contents

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St. Louis, Missouri 63105-3434
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Report of Independent Auditors

The Board of Directors
Ascension Health Alliance

We have audited the accompanying consolidated financial statements of Ascension Health Alliance, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health Alliance at June 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

As discussed in Note 2 to the consolidated financial statements, Ascension Health Alliance changed the presentation of the provision for bad debts as a result of adopting the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Ernst + Young LLP

September 18, 2013

Ascension Health Alliance

Consolidated Balance Sheets (Dollars in Thousands)

| | June 30, | |
|---|-------------------|-------------------|
| | 2013 | 2012 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 754,622 | \$ 306,469 |
| Short-term investments | 113,955 | 216,914 |
| Accounts receivable, less allowance for doubtful accounts (\$1,351,660 and \$1,113,255 at June 30, 2013 and 2012, respectively) | 2,361,809 | 1,927,222 |
| Inventories | 309,074 | 218,598 |
| Due from brokers (see Notes 4 and 5) | 178,380 | 789,271 |
| Estimated third-party payor settlements | 119,379 | 159,871 |
| Other (see Notes 4 and 5) | 1,035,026 | 752,348 |
| Total current assets | 4,872,245 | 4,370,693 |
| Long-term investments (see Notes 4 and 5) | 14,164,185 | 10,468,457 |
| Property and equipment, net | 8,546,873 | 6,473,918 |
| Other assets: | | |
| Investment in unconsolidated entities | 628,772 | 943,747 |
| Capitalized software costs, net | 728,613 | 642,596 |
| Other | 1,106,683 | 876,483 |
| Total other assets | 2,464,068 | 2,462,826 |
| Total assets | \$ 30,047,371 | \$ 23,775,894 |

| | June 30, | |
|--|---------------|---------------|
| | 2013 | 2012 |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 90,442 | \$ 45,363 |
| Long-term debt subject to short-term remarketing arrangements* | 1,187,125 | 1,094,425 |
| Accounts payable and accrued liabilities | 2,348,401 | 1,979,160 |
| Estimated third-party payor settlements | 456,314 | 457,030 |
| Due to brokers (see Notes 4 and 5) | 493,420 | 880,613 |
| Current portion of self-insurance liabilities | 210,115 | 206,057 |
| Other (see Notes 4 and 5) | 644,084 | 435,805 |
| Total current liabilities | 5,429,901 | 5,098,453 |
| Noncurrent liabilities: | | |
| Long-term debt (senior and subordinated) | 5,278,866 | 3,655,406 |
| Self-insurance liabilities | 553,706 | 518,995 |
| Pension and other postretirement liabilities | 554,368 | 492,366 |
| Other (see Notes 4 and 5) | 1,099,362 | 1,087,782 |
| Total noncurrent liabilities | 7,486,302 | 5,754,549 |
| Total liabilities | 12,916,203 | 10,853,002 |
| Net assets: | | |
| Unrestricted: | | |
| Controlling interest | 14,986,302 | 11,836,414 |
| Noncontrolling interests | 1,592,356 | 647,236 |
| Unrestricted net assets | 16,578,658 | 12,483,650 |
| Temporarily restricted | 377,555 | 336,027 |
| Permanently restricted | 174,955 | 103,215 |
| Total net assets | 17,131,168 | 12,922,892 |
| Total liabilities and net assets | \$ 30,047,371 | \$ 23,775,894 |

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to June 30, 2014. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, drawing upon the \$1 billion line of credit, and issuing commercial paper. The commercial paper program is supported by the \$1 billion line of credit.

The accompanying notes are an integral part of the consolidated financial statements

Ascension Health Alliance

Consolidated Statements of Operations and Changes in Net Assets (Dollars in Thousands)

| | Year Ended June 30, | |
|---|---------------------|---------------|
| | 2013 | 2012 |
| Operating revenue | | |
| Net patient service revenue | \$ 16,912,410 | \$ 15,297,559 |
| Less provision for doubtful accounts | 1,172,863 | 972,171 |
| Net patient service revenue, less provision for doubtful accounts | 15,739,547 | 14,325,388 |
| Other revenue | 1,357,663 | 967,252 |
| Total operating revenue | 17,097,210 | 15,292,640 |
| Operating expenses | | |
| Salaries and wages | 7,247,681 | 6,544,753 |
| Employee benefits | 1,581,587 | 1,426,722 |
| Purchased services | 1,030,574 | 734,396 |
| Professional fees | 1,128,880 | 1,021,582 |
| Supplies | 2,427,714 | 2,260,901 |
| Insurance | 115,521 | 100,834 |
| Interest | 150,877 | 131,310 |
| Depreciation and amortization | 755,305 | 662,362 |
| Other | 2,185,015 | 1,782,172 |
| Total operating expenses before impairment, restructuring, and nonrecurring (losses) gains, net | 16,623,154 | 14,665,032 |
| Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring (losses) gains, net | 474,056 | 627,608 |
| Self-insurance trust fund investment return | 34,985 | 17,197 |
| Impairment, restructuring, and nonrecurring (losses) gains, net | (111,786) | 286,046 |
| Income from operations | 397,255 | 930,851 |
| Nonoperating gains (losses) | | |
| Investment return | 737,057 | (135,605) |
| Loss on extinguishment of debt | (4,079) | (2,813) |
| Gain (loss) on interest rate swaps | 61,202 | (74,846) |
| Income from unconsolidated entities | 8,544 | 8,802 |
| Contributions from business combinations, net | 2,021,963 | 326,333 |
| Other | (77,269) | (69,221) |
| Total nonoperating gains, net | 2,747,418 | 52,650 |
| Excess of revenues and gains over expenses and losses | 3,144,673 | 983,501 |
| Less noncontrolling interests | 131,184 | 13,154 |
| Excess of revenues and gains over expenses and losses attributable to controlling interest | 3,013,489 | 970,347 |

Continued on next page

Ascension Health Alliance

Consolidated Statements of Operations and Changes in Net Assets (continued) (Dollars in Thousands)

| | Year Ended June 30, | |
|--|---------------------|---------------|
| | 2013 | 2012 |
| Unrestricted net assets, controlling interest | | |
| Excess of revenues and gains over expenses and losses | \$ 3,013,489 | \$ 970,347 |
| Transfers to sponsors and other affiliates, net | (10,962) | (15,189) |
| Contributed net assets | (1,050) | (400) |
| Net assets released from restrictions for property acquisitions | 67,418 | 68,892 |
| Pension and other postretirement liability adjustments | 77,011 | (439,662) |
| Change in unconsolidated entities' net assets | 23,295 | (15,890) |
| Other | 4,624 | 9,206 |
| Increase in unrestricted net assets, controlling interest, before loss from discontinued operations | 3,173,825 | 577,304 |
| Loss from discontinued operations | (23,937) | (73,521) |
| Increase in unrestricted net assets, controlling interest | 3,149,888 | 503,783 |
| Unrestricted net assets, noncontrolling interests | | |
| Excess of revenues and gains over expenses and losses | 131,184 | 13,154 |
| Distributions of capital | (829,989) | (575,618) |
| Contributions of capital | 1,579,187 | 1,166,961 |
| Contributions from business combinations | 64,738 | — |
| Increase in unrestricted net assets, noncontrolling interests | 945,120 | 604,497 |
| Temporarily restricted net assets, controlling interest | | |
| Contributions and grants | 89,220 | 100,880 |
| Investment return | 17,232 | (638) |
| Net assets released from restrictions | (110,213) | (104,028) |
| Contributions from business combinations | 44,201 | 14,764 |
| Other | 1,088 | (6,514) |
| Increase in temporarily restricted net assets, controlling interest | 41,528 | 4,464 |
| Permanently restricted net assets, controlling interest | | |
| Contributions | 2,664 | 5,082 |
| Investment return | 1,598 | (242) |
| Contributions from business combinations | 67,846 | 1,573 |
| Other | (368) | (2,642) |
| Increase in permanently restricted net assets, controlling interest | 71,740 | 3,771 |
| Increase in net assets | 4,208,276 | 1,116,515 |
| Net assets, beginning of year | 12,922,892 | 11,806,377 |
| Net assets, end of year | \$ 17,131,168 | \$ 12,922,892 |

The accompanying notes are an integral part of the consolidated financial statements

Ascension Health Alliance

Consolidated Statements of Cash Flows (Dollars in Thousands)

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2013 | 2012 |
| Operating activities | | |
| Increase in net assets | \$ 4,208,276 | \$ 1,116,515 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 755,305 | 662,362 |
| Amortization of bond premiums | (13,948) | (10,663) |
| Loss on extinguishment of debt | 4,079 | 2,813 |
| Provision for doubtful accounts | 1,177,889 | 972,171 |
| Pension and other postretirement liability adjustments | (77,011) | 439,662 |
| Contributed net assets | 1,050 | 400 |
| Contributions from business combinations | (1,742,900) | (305,162) |
| Interest, dividends, and net (gains) losses on investments | (790,871) | 119,288 |
| Change in market value of interest rate swaps | (61,349) | 77,568 |
| Deferred gain on interest rate swaps | (303) | (303) |
| Gain on sale of assets, net | (2,986) | (6,749) |
| Impairment and nonrecurring expenses | 17,259 | 45,956 |
| Contribution of noncontrolling interest in CHIMCO Alpha Fund, LLC | — | (440,015) |
| Transfers to sponsor and other affiliates, net | 10,962 | 15,189 |
| Restricted contributions, investment return, and other | (99,133) | (117,621) |
| Other restricted activity | 17,610 | (6,280) |
| Nonoperating depreciation expense | 317 | 308 |
| (Increase) decrease in: | | |
| Short-term investments | 212,560 | 35,298 |
| Accounts receivable | (1,173,962) | (1,138,644) |
| Inventories and other current assets | (205,051) | 244,426 |
| Due from brokers | 610,891 | (83,976) |
| Investments classified as trading | (959,834) | (983,483) |
| Other assets | (182,272) | (11,759) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | (21,721) | 48,504 |
| Estimated third-party payor settlements, net | 29,225 | 28,192 |
| Due to brokers | (387,193) | (277,720) |
| Other current liabilities | 92,673 | (288,178) |
| Self-insurance liabilities | (15,342) | (45,390) |
| Other noncurrent liabilities | (154,292) | (351,740) |
| Net cash provided by (used in) continuing operating activities | 1,249,928 | (259,031) |
| Net cash (used in) provided by and adjustments to reconcile change in assets for discontinued operations | (11,301) | 111,046 |
| Net cash provided by (used in) operating activities | 1,238,627 | (147,985) |

Continued on next page

Ascension Health Alliance

Consolidated Statements of Cash Flows (continued) (Dollars in Thousands)

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2013 | 2012 |
| Investing activities | | |
| Property, equipment, and capitalized software additions, net | \$ (901,286) | \$ (840,553) |
| Proceeds from sale of property and equipment | 26,321 | 2,029 |
| Net cash used in investing activities | (874,965) | (838,524) |
| Financing activities | | |
| Issuance of long-term debt | 1,228,995 | 1,832,269 |
| Repayment of long-term debt | (1,236,472) | (1,779,632) |
| Decrease in assets under bond indenture agreements | 20,577 | 17,513 |
| Transfers to sponsors and other affiliates, net | (27,742) | (2,639) |
| Restricted contributions, investment return, and other | 99,133 | 117,621 |
| Net cash provided by financing activities | 84,491 | 185,132 |
| Net increase (decrease) in cash and cash equivalents | 448,153 | (801,377) |
| Cash and cash equivalents at beginning of year | 306,469 | 1,107,846 |
| Cash and cash equivalents at end of year | \$ 754,622 | \$ 306,469 |

The accompanying notes are an integral part of the consolidated financial statements

Ascension Health Alliance

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2013

1. Organization and Mission

Organizational Structure

Ascension Health Alliance is a Missouri nonprofit corporation formed on September 13, 2011. Ascension Health Alliance is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries, located in 23 of the United States and the District of Columbia.

In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries, including Ascension Health Global Mission; Ascension Health Insurance, Ltd. (AHIL); Ascension Health Resource and Supply Management Group, LLC (The Resource Group); Clinical Holdings Corporation; Catholic Healthcare Investment Management Company (CHIMCO); CHIMCO Alpha Fund, LLC; Ascension Health Ventures, LLC; Ascension Health Leadership Academy, LLC; Ascension Health – IS, Inc. (AHIS); AHV Holding Company, LLC; and AH Holdings, LLC. Ascension Health Alliance and its member organizations are referred to collectively as the System.

Sponsorship

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province. As more fully described in the Organizational Changes note, Marian Health System, which was previously sponsored by the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province, became part of Ascension Health on April 1, 2013. In addition, Alexian Brothers Health System, which was previously sponsored by the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province, became part of Ascension Health on January 1, 2012.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.
- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care to persons living in poverty and community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was \$524,605 and \$466,916 for the years ended June 30, 2013 and 2012, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

| | Year Ended June 30, | |
|-------------------------|---------------------|-----------|
| | 2013 | 2012 |
| Other revenue | \$ 105,173 | \$ 81,329 |
| Nonoperating gains, net | 8,544 | 8,802 |

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

Long-Term Investments and Investment Return

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Long-term investments include assets limited as to use of approximately \$1,313,000 and \$916,000, at June 30, 2013 and 2012, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. Investment returns on investments, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2013 and 2012, is as follows:

| | June 30, | |
|-----------------------------------|---------------------|---------------------|
| | 2013 | 2012 |
| Land and improvements | \$ 870,810 | \$ 653,848 |
| Building and equipment | 14,756,936 | 12,917,263 |
| | <u>15,627,746</u> | <u>13,571,111</u> |
| Less accumulated depreciation | 7,567,936 | 7,378,499 |
| | <u>8,059,810</u> | <u>6,192,612</u> |
| Construction-in-progress | 487,063 | 281,306 |
| Total property and equipment, net | <u>\$ 8,546,873</u> | <u>\$ 6,473,918</u> |

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2013 and 2012 was \$640,232 and \$570,198, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$294,000.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage.

Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows. Capitalized software costs in the table below include software in progress of \$99,048 and \$362,336 at June 30, 2013 and 2012, respectively:

| | June 30, 2013 | 2012 |
|--|-----------------------|-----------------------|
| Capitalized software costs | \$ 1,423,556 | \$ 1,210,729 |
| Less accumulated amortization | <u>694,943</u> | <u>568,133</u> |
| Capitalized software costs, net | 728,613 | 642,596 |
| Goodwill | 130,306 | 123,707 |
| Other, net | <u>71,439</u> | <u>26,205</u> |
| Intangible assets included in other assets | 201,745 | 149,912 |
| Total intangible assets, net | <u>\$ 930,358</u> | <u>\$ 792,508</u> |

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets in 2013 and 2012 was \$113,126 and \$89,704, respectively.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

During the year ended June 30, 2010, the System began a significant multi-year, System-wide enterprise resource planning project, including information technology and process standardization (Symphony), which is expected to continue through fiscal year 2016. The project is anticipated to result in a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout the System. Capitalized costs of Symphony were approximately \$301,000 and \$279,000 at June 30, 2013 and 2012, respectively, and are included in capitalized software costs in the preceding table. Certain costs of this project were also expensed. Beginning September 1, 2012, the software associated with Symphony was considered substantially complete and ready for its intended use and is amortized on a straight-line basis over its expected useful life. Accumulated amortization of Symphony was \$25,000 at June 30, 2013. See the Impairment, Restructuring, and Nonrecurring Gains (Losses) discussion below for additional information about costs associated with Symphony.

Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System 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, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Temporarily and permanently restricted net assets consist solely of controlling interests of the System.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, cumulative effect of a change in accounting principle, discontinued operations, and contributions received of property and equipment.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be nonoperating.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by \$48,997 and \$146,535 for the years ended June 30, 2013 and 2012, respectively.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

The percentage of net patient service revenue, less provision for doubtful accounts earned by payor for the years ended June 30, 2013 and 2012, is as follows:

| | June 30, | |
|--------------------|-----------------|-------------|
| | 2013 | 2012 |
| Medicare | 37% | 38% |
| Medicaid | 11 | 11 |
| Third-party payors | 44 | 41 |
| Self-pay | 8 | 10 |
| | 100% | 100% |

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at June 30, 2013 and 2012, are as follows:

| | June 30, | |
|--------------------|-----------------|-------------|
| | 2013 | 2012 |
| Medicare | 22% | 20% |
| Medicaid | 8 | 10 |
| Third-party payors | 43 | 44 |
| Self-pay | 27 | 26 |
| | 100% | 100% |

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies. See Adoption of New Accounting Standards section for change in accounting presentation of provision for doubtful accounts in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year. The System has not experienced material changes in write-off trends and has not materially changed its charity care policy since June 30, 2012.

Impairment, Restructuring, and Nonrecurring Gains (Losses)

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Nonrecurring expenses associated with Symphony include project management and process re-engineering costs, amortization expense for those Health Ministries not yet on Symphony, as well as costs to establish a shared service center and develop a business intelligence data warehouse. Costs associated with product deployment are recorded as nonrecurring gains (losses), and costs associated with product support are recorded as recurring operating expenses.

During the year ended June 30, 2013, the System recorded total impairment, restructuring, and nonrecurring losses, net of \$111,786. This amount was comprised primarily of \$116,386 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of \$61,677, and impairment and other nonrecurring expenses of \$6,040, partially offset by pension curtailment gains of \$72,317, as discussed in Retirement Plans note.

During the year ended June 30, 2012, the System recorded total impairment, restructuring and nonrecurring gains, net of \$286,046. This amount was comprised primarily of pension curtailment gains of \$402,402, as discussed in the Retirement Plans note, partially offset by long-lived asset impairments and restructuring charges of \$60,761 and \$55,595 of nonrecurring expenses associated with Symphony.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a).

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of the System. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of the System.

Reclassifications

Certain reclassifications were made to the 2012 accompanying consolidated financial statements to conform to the 2013 presentation.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In July 2011, the Financial Accounting Standards Board (FASB) issued 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 Care Entities*. This accounting standards update requires healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered to present the provision for doubtful accounts related to patient service revenue adjacent to patient service revenue in the Consolidated Statement of Operations and Changes in Net Assets rather than as an operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for doubtful accounts are also required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011.

The System recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. The System adopted this guidance as of July 1, 2012, and retrospectively applied the presentation requirements to all periods presented. Based on an assessment at the reporting entity level, the adoption of this guidance resulted in the reclassification of the System's provision for doubtful accounts for the year ended June 30, 2012, decreasing total operating revenue and total operating expenses before impairment, restructuring, and nonrecurring losses, net by \$972,171.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the Consolidated Balance Sheet date. For the year ended June 30, 2013, the System evaluated subsequent events through September 18, 2013, representing the date on which the accompanying audited consolidated financial statements were issued. During this period, there were no material subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Organizational Changes

Business Combinations

Marian Health System

Effective April 1, 2013, Ascension Health, a subsidiary of the System, became the sole corporate member, through a non-cash business combination transaction, of three regional health systems that formerly comprised Marian Health System, Inc. (Marian Health System): Via Christi Health, Inc. (Via Christi Health), based in Wichita, Kansas; Ministry Health Care, Inc. (Ministry Health Care), based in Milwaukee, Wisconsin; and St. John Health System, Inc. (St. John Health), based in Tulsa, Oklahoma (collectively, the Marian Systems). Prior to this transaction, Marian Health System was the sole corporate member of Ministry Health Care and St. John Health, while Ascension Health and Marian Health System were the two corporate members of Via Christi Health.

Prior to April 1, 2013, the System accounted for its 50% interest in Via Christi Health under the equity method of accounting. The System's investment in Via Christi Health at March 31, 2013 and June 30, 2012, was \$545,018 and \$493,105, respectively, which amounts were reported in the Consolidated Balance Sheets at those dates in investment in unconsolidated entities. Of these amounts, \$28,101 at March 31, 2013, and \$30,321 at June 30, 2012, represented the difference between the amount at which the System's investment in Via Christi Health was carried and its interest in the underlying net assets of Via Christi Health, related to the excess of fair value of Via Christi Health property and equipment and long-term debt over their carrying values at the date the System received its interest in Via Christi Health. Via Christi Health's total assets and total liabilities were \$1,706,258 and \$712,757 at June 30, 2012.

For the year ended June 30, 2013, the System's excess of revenues and gains over expenses and losses included \$34,141, representing the System's share of Via Christi Health's excess of revenues over expenses prior to the business combination transaction on April 1, 2013. The System's investment in Via Christi Health of \$545,018 at March 31, 2013, was derecognized on April 1, 2013, in conjunction with the accounting for the business combination transaction.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Organizational Changes (continued)

Preliminary fair value adjustments for the business combination have been recorded in the accompanying consolidated financial statements as of June 30, 2013. The valuation of net assets is expected to be completed during fiscal 2014. The following table summarizes the April 1, 2013, fair values of the Marian Systems' net assets, by major type.

| | |
|---|----------------------------|
| Net working capital | \$ 557,274 |
| Intangible assets, including capitalized software | 135,819 |
| Property and equipment | 1,950,739 |
| Assets limited as to use | 1,126,259 |
| Investments and other long-term assets | 1,125,652 |
| Noncurrent liabilities assumed | <u>(2,144,948)</u> |
| Subtotal | 2,750,795 |
| Less: March 31, 2013 Investment in Via Christi Health | <u>(545,018)</u> |
| Fair value of net assets | <u><u>\$ 2,205,777</u></u> |

The fair value of net assets of \$2,205,777 in the preceding table was recognized in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, as a nonoperating contribution from business combinations of \$2,028,992; contributions of temporarily and permanently restricted net assets of \$44,201 and \$67,846, respectively; and contributions of noncontrolling interests of \$64,738.

For the three months ended June 30, 2013, the System recognized revenues of the Marian Systems of \$1,049,259, and an excess of revenues and gains over expenses and losses of the Marian Systems of \$56,670, of which \$55,542 was attributable to controlling interest, with the remaining attributable to noncontrolling interests. Additionally, for the three months ended June 30, 2013, the System recognized an increase in unrestricted net assets – controlling interests, excluding the excess of revenues and gains over expenses and losses of \$56,670 above, of \$53,801; an increase in unrestricted net assets – noncontrolling interests of \$823; an increase in temporarily restricted net assets of \$915; and a decrease in permanently restricted net assets of \$56.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Organizational Changes (continued)

The following unaudited pro forma financial information presents the combined results of operations of the System and the Marian Systems for the years ended June 30, 2013 and 2012, as though the April 1, 2013, business combination transaction had occurred on July 1, 2011. This pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the System and the Marian Systems constituted a single entity during those periods, nor is it necessarily indicative of future operating results.

| | Year Ended June 30, | |
|--|----------------------------|---------------|
| | 2013 | 2012 |
| Total operating revenue | \$ 20,566,255 | \$ 19,442,796 |
| Excess of revenues and gains over expenses and losses | 1,177,338 | 3,129,905 |
| Increase in unrestricted net assets – controlling interest | 1,307,542 | 2,678,973 |
| Increase in unrestricted net assets – noncontrolling interests | 879,585 | 672,035 |
| Increase in temporarily restricted net assets | 5,856 | 47,234 |
| Increase in permanently restricted net assets | 7,945 | 70,485 |

The excess of revenues and gains over expenses and losses and the increase in unrestricted net assets – controlling interest for the year ended June 30, 2012, in the table above include the nonoperating contribution from business combination of \$2,028,992 reflected in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, to reflect the April 1, 2013, business combination as if it had occurred on July 1, 2011. The pro forma excess of revenues and gains over expenses and losses above includes certain adjustments attributable to the April 1, 2013, business combination transaction.

In addition, the increases in unrestricted net assets – controlling interest, temporarily restricted net assets, and permanently restricted net assets for the year ended June 30, 2012, in the table above include the contributions from business combinations reflected in the contributions of noncontrolling interests and temporarily and permanently restricted net assets of \$64,738, \$44,201, and \$67,846, respectively. The preceding amounts are also reflected in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, to reflect the April 1, 2013, business combination as if it had occurred on July 1, 2011.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Organizational Changes (continued)

Alexian Brothers Health System

Effective January 1, 2012, Ascension Health, a subsidiary of the System, became sole corporate member of Alexian Brothers Health System (Alexian Brothers), a Catholic healthcare system that operates acute and specialty care hospitals, ambulatory care clinics, physician practices, and senior living facilities in Illinois, Missouri, Tennessee, and Wisconsin. This transaction resulted in a net increase to unrestricted net assets of \$326,333, reflected as contributions from business combinations, net in the Consolidated Statement of Operations and Changes in Net Assets during the year ended June 30, 2012. Furthermore, this addition resulted in a contribution of restricted net assets of \$16,337, included in other changes in net assets in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2012.

Divestitures and Discontinued Operations

On May 1, 2013, the System entered into a definitive agreement with HCA Midwest Health System to sell St. Joseph and St. Mary's Medical Centers and other Carondelet Health subsidiaries in Kansas City, Missouri (Carondelet Health – Kansas City). This transaction is expected to close in fiscal year 2014. The operations of Carondelet Health – Kansas City are reflected in the System's consolidated financial statements as discontinued operations. The assets and liabilities of Carondelet Health – Kansas City are classified as held for sale in other assets and other liabilities, respectively, in the System's consolidated financial statements.

Effective October 1, 2011, Seton Health System, Inc. (Seton Health) in Troy, New York, separated from the System and became part of a newly formed nonprofit healthcare organization that operates in the state of New York. The operations of Seton Health are reflected in the System's consolidated financial statements as discontinued operations.

The System reported a decrease in net assets from discontinued operations of \$23,937 for the year ended June 30, 2013, representing the decrease in net assets related to the separation of Carondelet Health – Kansas City and the deficit of revenues over expenses for previously discontinued lines of business in Michigan. These entities had recorded operating revenues totaling \$303,430 during the period that they were operational during the year ended June 30, 2013.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Organizational Changes (continued)

The System reported a decrease in net assets from discontinued operations of \$73,521 for the year ended June 30, 2012, representing the decrease of net assets related to the separation of Seton Health, the deficit of revenues over expenses for Carondelet Health – Kansas City and for previously discontinued lines of business in Michigan. These entities had recorded operating revenues totaling \$354,486 during the period that they were operational during the year ended June 30, 2012.

4. Pooled Investment Fund

Prior to April 2012, the System held a significant portion of its investments in the Ascension Legacy Portfolio (formerly the Health System Depository, or HSD), an investment pool of funds in which the System and a limited number of nonprofit healthcare providers participated. In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the CHIMCO Alpha Fund, LLC (Alpha Fund), a limited liability company organized in the state of Delaware.

At June 30, 2013 and 2012, a significant portion of the System's investments consists of the System's interest in the Alpha Fund. Certain System assets continue to be held through the Ascension Legacy Portfolio, and subsequent to April 2012, the Ascension Legacy Portfolio no longer holds assets for unrelated entities. Additional System investments include those held and managed by the Health Ministries' consolidated foundations.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. CHIMCO manages and serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. The System began consolidating the Alpha Fund in April 2012.

The portion of the Alpha Fund's net assets representing interests held by entities other than the System are reflected in noncontrolling interests in the Consolidated Balance Sheets, which amount to \$1,450,580 and \$589,493 at June 30, 2013 and 2012, respectively.

The consolidation of the Alpha Fund by the System in April 2012 resulted in an increase of net assets of \$440,015, representing the noncontrolling interests of the Alpha Fund as of the date investments were transferred into the Alpha Fund.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Pooled Investment Fund (continued)

Prior to April 2012, CHIMCO, a wholly owned subsidiary of the System, managed the investment portfolio of the System held in the Ascension Legacy Portfolio. CHIMCO provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The System did not consolidate the Ascension Legacy Portfolio prior to April 2012. Accordingly, the System's investments recorded in the consolidated financial statements consisted only of the System's pro rata share of the Ascension Legacy Portfolio's investments held for participants prior to April 2012.

The Alpha Fund invests in a diversified portfolio of investments including alternative investments, such as real asset funds, hedge funds, private equity funds, commodity funds, and private credit funds. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments in certain of these funds, whose fair value was \$920,761 at June 30, 2013, cannot currently be redeemed. However, the potential for the Alpha Fund to sell its interest in these funds in a secondary market prior to the end of the fund term does exist.

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2013, contractual agreements of the Alpha Fund expire between July 2013 and April 2019. The remaining unfunded capital commitments of the Alpha Fund total approximately \$1,140,000 for 76 individual funds as of June 30, 2013. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of operations and within established Alpha Fund guidelines, the Alpha Fund may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, option, and forward contracts as well as warrants and swaps. These instruments are used primarily to adjust the portfolio duration, restructure term structure exposure, change sector exposure, and arbitrage market inefficiencies. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Pooled Investment Fund (continued)

At June 30, 2013 and 2012, the notional value of Alpha Fund derivatives outstanding was approximately \$2,126,000 and \$2,071,000, respectively. The fair value of Alpha Fund derivatives in an asset position was \$35,404 and \$71,936 at June 30, 2013 and 2012, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$84,249 and \$36,266 at June 30, 2013 and 2012, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at June 30, 2013 and 2012.

The Alpha Fund also participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis. The fair value of collateral held by the Alpha Fund associated with such lending agreements amounts to approximately \$394,000 and \$320,000 at June 30, 2013 and 2012, respectively, and is included in other current assets in the Consolidated Balance Sheets, while the liability associated with the obligation to repay such collateral is also approximately \$394,000 and \$320,000 at June 30, 2013 and 2012, respectively, and is included in other current liabilities in the Consolidated Balance Sheets. In addition, the Alpha Fund has liabilities for investments sold, not yet purchased, representing obligations of the Alpha Fund to purchase investments in the market at prevailing prices. The fair value of this Alpha Fund liability is approximately \$7,000 and \$160,000 at June 30, 2013 and 2012, respectively, and is included in other noncurrent liabilities in the Consolidated Balance Sheets.

Due from brokers and due to brokers on the Consolidated Balance Sheets at June 30, 2013 and 2012, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily amounts for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Cash and Investments

The System's cash and investments are reported in the June 30, 2013 and 2012, Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

| | June 30, | |
|---|---------------|--------------|
| | 2013 | 2012 |
| Cash and cash equivalents | \$ 754,622 | \$ 306,469 |
| Short-term investments | 113,955 | 216,914 |
| Long-term investments | 14,164,185 | 10,468,457 |
| Subtotal | 15,032,762 | 10,991,840 |
| Other Alpha Fund and Ascension Legacy Portfolio assets and liabilities: | | |
| In other current assets | 459,050 | 360,999 |
| In other long-term assets | 2,785 | 2,924 |
| In accounts payable and other accrued liabilities | (5,680) | (12,779) |
| In other current liabilities | (394,763) | (322,873) |
| In other noncurrent liabilities | (6,622) | (157,073) |
| Due to brokers, net | (315,040) | (91,342) |
| Total cash and investments, net | 14,772,492 | 10,771,696 |
| Less noncontrolling interests of Alpha Fund | 1,450,580 | 589,493 |
| System cash and investments, including assets limited as to use | 13,321,912 | 10,182,203 |
| Less assets limited as to use: | | |
| Under bond indenture agreement | 33,955 | 16,966 |
| Self-insurance trust funds | 728,621 | 683,937 |
| Temporarily or permanently restricted | 564,168 | 363,482 |
| Total assets limited as to use | 1,326,744 | 1,064,385 |
| System unrestricted cash and investments, net | \$ 11,995,168 | \$ 9,117,818 |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Cash and Investments (continued)

At June 30, 2013 and 2012, the composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

| | June 30, | |
|---|----------------------|----------------------|
| | 2013 | 2012 |
| Cash and cash equivalents and short-term investments | \$ 1,113,823 | \$ 498,902 |
| Pooled short-term investment funds | 311,027 | 416,087 |
| U.S. government, state, municipal, and agency obligations | 3,447,500 | 3,271,474 |
| Corporate and foreign fixed income securities | 1,664,001 | 980,322 |
| Asset-backed securities | 1,196,168 | 1,057,735 |
| Equity securities | 2,695,483 | 1,574,188 |
| Alternative investments and other investments: | | |
| Private equity and real estate funds | 809,341 | 594,466 |
| Hedge funds | 2,860,776 | 1,887,407 |
| Commodities funds and other investments | 934,643 | 711,259 |
| Total alternative investments and other investments | 4,604,760 | 3,193,132 |
| Total cash and cash equivalents, short-term investments, and long-term investments | <u>\$ 15,032,762</u> | <u>\$ 10,991,840</u> |

Net investments under CHIMCO management and held in the Ascension Legacy Portfolio at March 31, 2012, yet not included in the Alpha Fund or the Ascension Legacy Portfolio while still managed by CHIMCO at April 1, 2012, were approximately \$1,820,000. As of June 30, 2013 and 2012, the System's membership interest in the Alpha Fund totaled \$11,251,590 and \$8,840,551, respectively. As of June 30, 2013 and 2012, the noncontrolling interest (see Note 2) in the Alpha Fund, representing interests held by entities other than the System, totaled \$1,450,580 and \$589,493, respectively.

Investment return recognized by the System for the years ended June 30, 2013 and 2012, is summarized in the following table. Total investment return includes the System's return in the Ascension Legacy Portfolio and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Cash and Investments (continued)

| | Year Ended June 30, | |
|---|----------------------------|---------------------|
| | 2013 | 2012 |
| Unrestricted investment return in Ascension Legacy Portfolio | \$ — | \$ 63,965 |
| Interest and dividends | 170,034 | 51,453 |
| Net gains (losses) on investments reported at fair value | 602,008 | (233,826) |
| Restricted investment return and unrealized gains (losses), net | 18,830 | (880) |
| Total investment return | 790,872 | (119,288) |
| Less return earned by noncontrolling interests of Alpha Fund | 106,039 | (9,278) |
| System investment return | <u>\$ 684,833</u> | <u>\$ (110,010)</u> |

6. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The System follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets or exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

There were no significant transfers between Levels 1 and 2 during the years ended June 30, 2013 and 2012.

As of June 30, 2013 and 2012, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

Pooled short-term investment fund

The fair value of pooled fund investments is based on cost plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

U. S. government, state, municipal, and agency obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and foreign fixed income securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques consistent with the income approach. The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

Alternative investments and other investments

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Securities lending collateral

The fair value of collateral received under the Alpha Fund's securities lending program is valued using the calculated net asset value for the commingled fund in which the collateral is invested. The underlying investments in the commingled fund are valued using techniques consistent with the market approach, which uses significant observable market inputs such as available trade, quotes, benchmark curves, sector groupings, and matrix pricing.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Fair Value Measurements (continued)

Benefit plan assets

The fair value of benefit plan assets is based on original investment into a guaranteed pooled fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Interest rate swap assets and liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments sold, not yet purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2013, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------|------------|-----------|----------------------|
| June 30, 2013 | | | | |
| Cash and cash equivalents | \$ 618,129 | \$ 14,277 | \$ — | \$ 632,406 |
| Short-term investments | 21,821 | 45,258 | 238 | 67,317 |
| Pooled short-term investment funds | 311,027 | — | — | 311,027 |
| U.S. government, state, municipal, and agency obligations | — | 3,441,671 | 5,829 | 3,447,500 |
| Corporate and foreign fixed income securities | — | 1,272,714 | 391,287 | 1,664,001 |
| Asset-backed securities | — | 1,079,135 | 117,033 | 1,196,168 |
| Equity securities | 2,656,950 | 36,370 | 2,163 | 2,695,483 |
| Alternative investments and other investments: | | | | |
| Private equity and real estate funds | 529 | 3,752 | 799,414 | 803,695 |
| Hedge funds | — | — | 2,857,114 | 2,857,114 |
| Commodities funds and other investments | 5,762 | (6,061) | 831,182 | 830,883 |
| Assets not at fair value | | | | 527,168 |
| Cash and investments | | | | <u>\$ 15,032,762</u> |
| Securities lending collateral, in other current assets | \$ — | \$ 394,310 | \$ — | \$ 394,310 |
| Benefit plan assets, in other noncurrent assets | 225,755 | — | 37,505 | 263,260 |
| Interest rate swaps, in other noncurrent assets | — | 76,650 | — | 76,650 |
| Investments sold, not yet purchased, in other noncurrent liabilities | — | 6,622 | — | 6,622 |
| Interest rate swaps, included in other noncurrent liabilities | — | 194,546 | — | 194,546 |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

For the year ended June 30, 2013, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

| | U.S. | | | | | | | | | |
|--|---------------------------|--|---|----------------------------|----------------------|---|----------------|--|------------------------|-----------|
| | Short-Term Investments | Government, State, Municipal, and Agency Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Private Equity and Real Estate Funds | Hedge Funds | Commodities Funds and Other Investments | Benefit Plan Assets | |
| June 30, 2013 | | | | | | | | | | |
| Beginning balance | \$ | — | \$ 7,437 | \$ 120,418 | \$ 15,297 | \$ 13,118 | \$ 593,753 | \$ 1,887,407 | \$ 615,813 | \$ 36,882 |
| Total realized and unrealized gains (losses) | | | | | | | | | | |
| Included in income from operations | | — | 16 | 242 | 10 | 1,489 | — | 123 | (45) | — |
| Included in nonoperating gains (losses) | | | 445 | 1,059 | (227) | 170 | 83,975 | 220,887 | 80,222 | 49 |
| Included in changes in net assets | | 3 | — | — | — | — | 293 | 27 | — | — |
| Purchases | | — | 169 | 328,980 | 122,703 | 718 | 188,085 | 981,414 | 401,957 | 47,644 |
| Settlements | | — | — | — | — | — | (25) | — | — | (279) |
| Sales | | — | (2,238) | (58,928) | (17,883) | (13,372) | (66,836) | (232,198) | (266,889) | (44,655) |
| Transfers into Level 3 | 235 | — | 2,962 | — | 40 | 927 | 3,271 | 139 | 13,376 | |
| Transfers out of Level 3 | — | — | (3,446) | (2,867) | — | (465) | (4,083) | (42) | (15,512) | |
| Ending balance | \$ 238 | \$ 5,829 | \$ 391,287 | \$ 117,033 | \$ 2,163 | \$ 799,414 | \$ 2,857,114 | \$ 831,182 | \$ 37,505 | |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2012, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|----------------|------------|----------------------|
| June 30, 2012 | | | | |
| Cash and cash equivalents | \$ 78,301 | \$ 3,419 | \$ — | \$ 81,720 |
| Short-term investments | 14,567 | 79,321 | — | 93,888 |
| Pooled short-term investment funds | 416,087 | — | — | 416,087 |
| U.S. government, state, municipal, and agency obligations | — | 3,264,037 | 7,437 | 3,271,474 |
| Corporate and foreign fixed income securities | — | 859,904 | 120,418 | 980,322 |
| Asset-backed securities | — | 1,042,438 | 15,297 | 1,057,735 |
| Equity securities | 1,546,579 | 14,491 | 13,118 | 1,574,188 |
| Alternative investments and other investments: | | | | |
| Private equity and real estate funds | — | — | 593,753 | 593,753 |
| Hedge funds | — | — | 1,887,407 | 1,887,407 |
| Commodities funds and other investments | 8,699 | 3,327 | 615,813 | 627,839 |
| Assets not at fair value | | | | 407,427 |
| Cash and investments | | | | <u>\$ 10,991,840</u> |
| Securities lending collateral, in other current assets | \$ — | \$ 321,937 | \$ — | \$ 321,937 |
| Benefit plan assets, in other noncurrent assets | 134,705 | — | 36,882 | 171,587 |
| Interest rate swaps, in other noncurrent assets | — | 94,082 | — | 94,082 |
| Investments sold, not yet purchased, in other noncurrent liabilities | — | 157,073 | — | 157,073 |
| Interest rate swaps, included in other noncurrent liabilities | — | 252,413 | — | 252,413 |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Fair Value Measurements (continued)

For the year ended June 30, 2012, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following. Level 3 investments of the Alpha Fund are included in transfers in the table below.

| | U.S. Government, State, Municipal, and Agency Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Private Equity and Real Estate Funds | Hedge Funds | Commodities Funds and Other Investments | Benefit Plan Assets |
|---|--|--|----------------------------|----------------------|--|----------------|--|------------------------|
| June 30, 2012 | | | | | | | | |
| Beginning balance | \$ 442 | \$ 5,024 | \$ 1,924 | \$ 15,515 | \$ 71,768 | \$ 11,667 | \$ 2,731 | \$ 31,706 |
| Total realized and unrealized gains (losses) | | | | | | | | |
| Included in income from operations | 21 | 192 | (7) | 886 | — | 45 | (436) | — |
| Included in nonoperating gains (losses) | 6 | 904 | (149) | (69) | (6,814) | (15,149) | (12,031) | — |
| Included in changes in net assets | — | — | — | — | 64 | 1,233 | (7) | 20 |
| Purchases | — | 77,943 | 2,919 | — | 64,537 | 154,740 | 238,895 | 8,701 |
| Settlements | — | — | — | — | — | — | — | (91) |
| Issuances | — | — | — | — | — | — | — | 35 |
| Sales | — | (57,768) | (2,700) | (3,588) | (9,215) | (5,187) | (76,098) | (5,373) |
| Transfers into Level 3 | 6,968 | 94,201 | 15,012 | 374 | 473,413 | 1,740,058 | 462,759 | 2,649 |
| Transfers out of Level 3 | — | (78) | (1,702) | — | — | — | — | (765) |
| Ending balance | \$ 7,437 | \$ 120,418 | \$ 15,297 | \$ 13,118 | \$ 593,753 | \$ 1,887,407 | \$ 615,813 | \$ 36,882 |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt

Long-term debt at June 30, 2013 and 2012, is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates. As further discussed below, certain portions of long-term debt are secured under the Alexian Brothers Health System Master Trust Indenture; the Mercy Regional Health Center, Inc. Master Trust Indenture; The Howard Young Medical Center, Inc. Master Trust Indenture; the St. John Health System Master Trust Indenture; and the Ministry Health Care Master Trust Indenture.

| | June 30, 2013 | 2012 |
|--|------------------|------------|
| Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture: | | |
| Variable rate demand bonds, subject to a put provision that provides for a cumulative 7-month notice and remarketing period, payable through November 2047; interest (0.12% to 0.15% at June 30, 2013) tied to a market index plus a spread | \$ 408,605 | \$ 308,605 |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2039; interest (0.06% to 0.07% at June 30, 2013) set at prevailing market rates | 225,665 | 225,665 |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2033; interest (0.06% to 0.07% at June 30, 2013) set at prevailing market rates, swapped to fixed rates of 5.454% and 5.544%, respectively, through maturity | 307,300 | 307,300 |
| Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046; interest (2.095% at June 30, 2013) swapped to a variable rate tied to a tax-exempt market index plus a spread through November 2016 | 153,800 | 153,800 |
| Fixed rate put bonds (converted from an indexed put bond mode based on a taxable index in May 2009) payable through November 2046; interest (4.10% at June 30, 2013) swapped to a variable rate tied to a market index plus a spread through November 2016 | 153,690 | 153,690 |
| Fixed rate serial and term bonds payable in installments through November 2051; interest at 2.00% to 5.25% | 1,207,490 | 1,308,105 |
| Fixed rate serial and term bonds payable in installments through November 2039; interest at 5.00% swapped to variable rates over the life of the bonds | 587,360 | 587,360 |
| Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from June 2014 through June 2021; interest at 0.90% to 5.00% through the purchase dates | 1,224,750 | 904,185 |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

| | June 30, | |
|--|-----------|-----------|
| | 2013 | 2012 |
| Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture: | | |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2027; interest (0.06% at June 30, 2013) set at prevailing market rates | \$ 56,060 | \$ 56,060 |
| Fixed rate serial mode bonds payable through 2027 with purchase dates through November 2019; interest at 1.625%, swapped to variable mode through the purchase dates | 49,810 | 49,810 |
| Fixed rate serial mode bonds payable through 2027 with purchase dates through May 2018; interest at 0.55% to 5.00% | 396,705 | 396,705 |
| Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture: | | |
| Taxable fixed rate term bonds payable in installments through November 2053; interest at 4.847% | 425,000 | – |
| Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture | 5,196,235 | 4,451,285 |
| Tax-exempt hospital revenue bonds – secured under Alexian Brothers Health System Master Trust Indenture: | | |
| Fixed rate term bonds payable in installments through February 2038; interest at 3.50% to 5.50% | 157,000 | 161,565 |
| Total hospital revenue bonds under the Alexian Brothers Health System Master Trust Indenture | 157,000 | 161,565 |
| Tax-exempt hospital revenue bonds – secured under Mercy Regional Health Center, Inc. Master Trust Indenture: | | |
| Fixed rate term bonds payable in installments through November 2029; interest at 2.00% to 5.00% | 25,060 | – |
| Total hospital revenue bonds under the Mercy Regional Health Center, Inc. Master Trust Indenture | 25,060 | – |
| Tax-exempt hospital revenue bonds – secured under The Howard Young Medical Center, Inc. Master Trust Indenture: | | |
| Fixed rate term bonds payable in installments through August 2030; interest at 3.00% to 5.00% | 20,040 | – |
| Total hospital revenue bonds under The Howard Young Medical Center, Inc. Master Trust Indenture | 20,040 | – |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

| | June 30, | |
|--|--------------|--------------|
| | 2013 | 2012 |
| Tax-exempt hospital revenue bonds – secured under St. John Health System Master Trust Indenture: | | |
| Fixed rate term bonds payable in installments through February 2042; interest at 4.00% to 5.00% | \$ 414,500 | \$ – |
| Total hospital revenue bonds under the St. John Health System Master Trust Indenture | 414,500 | – |
| Tax-exempt hospital revenue bonds – secured under Ministry Health Care Master Trust Indenture: | | |
| Fixed rate term bonds payable in installments through August 2035; interest at 2.50% to 5.50% | 368,260 | – |
| Total hospital revenue bonds under the Ministry Health Care Master Trust Indenture | 368,260 | – |
| Total hospital revenue bonds under the Ascension Health Alliance Senior Master Trust Indenture; Ascension Health Alliance Subordinate Master Trust Indenture; the Alexian Brothers Health System Master Trust Indenture; the Mercy Regional Health Center, Inc. Master Trust Indenture; The Howard Young Medical Center, Inc. Master Trust Indenture; St. John Health System Master Trust Indenture; and Ministry Health Care Master Trust Indenture | 6,181,095 | 4,612,850 |
| Other debt: | | |
| Obligations under capital leases | 42,979 | 33,221 |
| Other | 113,823 | 37,936 |
| | 6,337,897 | 4,684,007 |
| Unamortized premium, net | 218,536 | 111,187 |
| Less current portion | (90,442) | (45,363) |
| Less long-term debt subject to short-term remarketing arrangements | (1,187,125) | (1,094,425) |
| Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements | \$ 5,278,866 | \$ 3,655,406 |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

| | June 30, | |
|---|---------------------|---------------------|
| | 2013 | 2012 |
| Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net | \$ 3,579,334 | \$ 2,919,702 |
| Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net | 511,009 | 515,278 |
| Alexian Brothers Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net | 162,594 | 167,257 |
| Mercy Health Regional Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net | 27,258 | — |
| The Howard Young Medical Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net | 20,933 | — |
| St. John Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net | 437,503 | — |
| Ministry Health Care Master Trust Indenture long-term debt obligations, including unamortized premium, net | 394,781 | — |
| Other | 145,454 | 53,169 |
| Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements | <u>\$ 5,278,866</u> | <u>\$ 3,655,406</u> |

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2013, are as follows:

| Year ending June 30 | Ascension Health Alliance MTIs | Alexian Brothers Health System MTI | Mercy Regional Health Center, Inc. MTI | The Howard Young Medical Center, Inc. MTI | St. John Health System MTI | Ministry Health Care MTI | Other Debt | Total |
|------------------------|---|---|--|---|-------------------------------------|--------------------------------|-------------------|---------------------|
| 2014 | \$ 57,135 | \$ 3,290 | \$ 1,020 | \$ 855 | \$ 6,950 | \$ 9,845 | \$ 11,230 | \$ 90,325 |
| 2015 | 59,835 | 340 | 1,045 | 875 | 7,305 | 11,185 | 10,168 | 90,753 |
| 2016 | 50,130 | 7,485 | 1,080 | 910 | 7,680 | 11,665 | 6,393 | 85,343 |
| 2017 | 65,945 | 13,130 | 1,125 | 945 | 8,070 | 12,185 | 19,878 | 121,278 |
| 2018 | 69,045 | 15,655 | 1,175 | 975 | 6,890 | 12,890 | 6,422 | 113,052 |
| Thereafter | 4,894,145 | 117,100 | 19,615 | 15,480 | 377,605 | 310,490 | 102,711 | 5,837,146 |
| Total | <u>\$ 5,196,235</u> | <u>\$ 157,000</u> | <u>\$ 25,060</u> | <u>\$ 20,040</u> | <u>\$ 414,500</u> | <u>\$ 368,260</u> | <u>\$ 156,802</u> | <u>\$ 6,337,897</u> |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

The carrying amounts of variable rate bonds and other notes payable approximate fair value. The fair values of the unsecured fixed rate serial and term bonds are obtained from independent public valuation services. The fair value of fixed rate serial and term bonds, including the component of variable rate demand bonds subject to long-term fixed interest rates, approximates carrying value at June 30, 2013 and 2012. During the years ended June 30, 2013 and 2012, interest paid was approximately \$170,000 and \$144,000, respectively. Capitalized interest was approximately \$5,400 and \$2,000 for the years ended June 30, 2013 and 2012, respectively.

Certain members of the System formed the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate, or a senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by the System. Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. The System may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with the System with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by the System. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI. The System may cause each subordinate designated affiliate to

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2013, the principal amount of such bonds has been classified as a current liability in the accompanying Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

On January 1, 2012, Alexian Brothers became part of the System. Subsequently, the System redeemed or refinanced a portion of Alexian Brothers' debt; however, a portion of the bonds previously issued for the benefit of Alexian Brothers remains outstanding (the Alexian Brothers' Bonds). The Alexian Brothers' Bonds continue to be secured by the Alexian Brothers Health System Master Trust Indenture (As Amended and Restated), dated October 1, 1992, between the Members of the Alexian Brothers Health System Obligated Group established under this document and the Alexian Brothers Health System Master Trustee.

On April 1, 2013, Marian Health System joined Ascension Health. Subsequently, the System redeemed or refinanced a portion of the debt of the Marian Systems; however, a portion of the bonds previously issued for the benefit of the Marian Systems remains outstanding. These bonds continue to be secured by the respective Master Trust Indentures, including the Amended and Restated Master Trust Indenture dated October 1, 1999, by and between St. John Health System and the St. John Health Master Trustee; the Master Trust Indenture dated October 1, 1984, by and between Ministry Health Care and the Ministry Health Care Master Trustee; the Master Trust Indenture dated August 15, 1993, between The Howard Young Medical Center, Inc., a subsidiary of Ministry Health Care, and The Howard Young Medical Center, Inc. Master

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

Trustee; and the Master Trust Indenture dated January 15, 2013, between Mercy Regional Health Center, Inc. (a subsidiary of Via Christi Health) and the Mercy Regional Health Center, Inc. Master Trustee.

In June 2013, the System issued a total of \$521,865 of tax-exempt bonds, Series 2013A and 2013B, through the Wisconsin issuing authority. In June 2013, the System also issued a total of \$425,000 of taxable bonds, Series 2013A. The proceeds of the bonds, including original issue premium, were used to refinance debt and general corporate purposes.

In May 2012, the System issued a total of \$435,370 of tax-exempt bonds, Series 2012A through 2012E, through four different issuing authorities in four different states. The proceeds of the bonds, including original issue premium, were used to reimburse the System for previous capital expenditures.

Due to aggregate financing activity during the fiscal years ended June 30, 2013 and 2012, losses on extinguishment of debt of \$4,079 and \$2,813, respectively, were recorded, which are included in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The System is a party to multiple interest rate swap agreements that convert the variable or fixed rates of certain debt issues to fixed or variable rates, respectively. See the Derivative Instruments note for a discussion of these derivatives.

As of June 30, 2013, the Senior Credit Group has a line of credit of \$1,000,000 which may be used as a source of funding for unremarketed variable debt (including commercial paper) or for general corporate purposes, towards which bank commitments totaling \$1,000,000 extend to November 9, 2014. As of June 30, 2013 and 2012, there were no borrowings under the line of credit.

As of June 30, 2013, the Senior Credit Group has a \$75,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$75,000 extends to November 27, 2013. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this \$75,000 revolving line of credit, letters of credit totaling \$46,765 have been issued as of June 30, 2013. No borrowings were outstanding under the letters of credit as of June 30, 2013 and 2012.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indentures of the System, Alexian Brothers, Ministry Health Care, and St. John Health. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At June 30, 2013 and 2012, the notional values of outstanding interest rate swaps were as follows:

| | June 30, | |
|------------------------------------|---------------------|---------------------|
| | 2013 | 2012 |
| Ascension Health Alliance MTI | \$ 2,128,757 | \$ 2,189,232 |
| Alexian Brothers Health System MTI | 47,220 | 55,120 |
| Ministry Health Care MTI | 270,880 | — |
| St. John Health System MTI | 125,000 | — |
| Total | <u>\$ 2,571,857</u> | <u>\$ 2,244,352</u> |

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The respective fair values of interest rate swaps in an asset and liability position for the System, Alexian Brothers, Ministry Health Care and St. John Health were as follows:

| | June 30, 2013 | | June 30, 2012 | |
|------------------------------------|------------------|-------------------|------------------|-------------------|
| | Asset | Liability | Asset | Liability |
| Ascension Health Alliance MTI | \$ 73,846 | \$ 174,413 | \$ 94,082 | \$ 248,511 |
| Alexian Brothers Health System MTI | — | 2,685 | — | 3,902 |
| Ministry Health Care MTI | 2,804 | 16,492 | — | — |
| St. John Health System MTI | — | 956 | — | — |
| Total | <u>\$ 76,650</u> | <u>\$ 194,546</u> | <u>\$ 94,082</u> | <u>\$ 252,413</u> |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Derivative Instruments (continued)

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria. Collateral requirements are separately calculated for the System, Alexian Brothers, Ministry Health Care, and St. John Health based on the credit ratings of each. In the case of the System, the applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. Collateral and net fair value of interest rate swap agreements with credit-risk-related contingent features at June 30, 2013 and 2012, based upon the respective net liability positions and applicable credit ratings were as follows:

| | June 30, 2013 | | June 30, 2012 | |
|----------------------------|-------------------|----------------------|-------------------|----------------------|
| | Net Fair Value | Collateral Posted | Net Fair Value | Collateral Posted |
| Ascension Health Alliance | | | | |
| MTI | \$ (100,567) | \$ — | \$ (154,429) | \$ — |
| Alexian Brothers Health | | | | |
| System MTI | (2,685) | — | (3,902) | — |
| Ministry Health Care MTI | (13,688) | 23,024 | — | — |
| St. John Health System MTI | (956) | — | — | — |
| Total | \$ (117,896) | \$ 23,024 | \$ (158,331) | \$ — |

Prior to July 1, 2006, the System designated certain of its interest rate swaps as cash flow hedges, for accounting purposes, and accordingly deferred gains or losses associated with those swaps in net assets. As of June 30, 2013, the deferred net gain associated with these interest rate swaps was \$4,357. The portion of this gain that will be reclassified into nonoperating gains (losses) over the next 12 months is immaterial.

Beginning July 1, 2006, the System's previously designated cash flow hedging relationships were de-designated for accounting purposes. Accordingly, all changes in the fair value of interest rate swaps have been recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. A net nonoperating loss of \$61,349 was recognized for the year ended June 30, 2013, while a net nonoperating loss of \$77,568 was recognized for the year ended June 30, 2012.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans covering substantially all eligible employees of certain System entities. Benefits are based on each participant's years of service and compensation. All of the System Plans' assets are invested in Trusts, which include the Master Pension Trust (the Trust) and other trusts (the Other Trusts). The System Plans' assets primarily consist of cash and cash equivalents, equity, fixed income funds, and alternative investments. Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants.

During the years ended June 30, 2013 and 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects certain System Plans, as well as provides an enhanced comprehensive defined contribution plan. This redesign resulted in the recognition of curtailment gains of \$73,198 and \$415,834, for the years ended June 30, 2013 and 2012, respectively, of which, \$73,198 and \$402,402 was recognized in total impairment, restructuring, and nonrecurring gains for the years ended June 30, 2013 and 2012, respectively. This redesign also resulted in a decrease to the projected benefit obligation and is included in pension and other postretirement liabilities in the Consolidated Balance Sheets.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2013 and 2012, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements.

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2013 | 2012 |
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | \$ 6,437,246 | \$ 5,734,449 |
| Service cost | 119,018 | 194,906 |
| Interest cost | 289,634 | 311,981 |
| Amendments | (12,792) | (5,463) |
| Assumption change | (363,778) | 873,252 |
| Actuarial (gain) loss | (28,641) | 1,051 |
| Business combinations | 1,137,270 | 131,174 |
| Curtailment | (74,962) | (561,854) |
| Benefits paid | (301,215) | (242,250) |
| Projected benefit obligation at end of year | 7,201,780 | 6,437,246 |
| Accumulated benefit obligation at end of year | 7,155,166 | 6,341,693 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 5,992,677 | 5,397,593 |
| Actual return on plan assets | 121,715 | 711,555 |
| Employer contributions | 54,541 | 14,421 |
| Business combinations | 874,666 | 111,358 |
| Benefits paid | (301,215) | (242,250) |
| Fair value of plan assets at end of year | 6,742,384 | 5,992,677 |
| Net amount recognized at end of year and funded status | \$ (459,396) | \$ (444,569) |

The System Plans' funded status as a percentage of the projected benefit obligation at June 30, 2013 and 2012, was 93.6% and 93.1%, respectively. The System Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2013 and 2012, was 94.2% and 94.5%, respectively.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2013 and 2012, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans:

| | Year Ended June 30, | |
|-----------------------------------|---------------------|-------------------|
| | 2013 | 2012 |
| Unrecognized prior service credit | \$ (23,080) | \$ (16,230) |
| Unrecognized actuarial loss | 364,739 | 433,352 |
| | <u>\$ 341,659</u> | <u>\$ 417,122</u> |

Changes in plan assets and benefit obligations recognized in unrestricted net assets for System Plans during 2013 and 2012 include:

| | Year Ended June 30, | |
|--------------------------------------|---------------------|-------------------|
| | 2013 | 2012 |
| Current year actuarial (gain) loss | \$ (87,934) | \$ 48,601 |
| Amortization of actuarial loss | 19,725 | 350,877 |
| Current year prior service credit | (12,792) | (5,463) |
| Amortization of prior service credit | 5,944 | 58,781 |
| | <u>\$ (75,057)</u> | <u>\$ 452,796</u> |

| | Year Ended June 30, | |
|--|---------------------|---------------------|
| | 2013 | 2012 |
| Components of net periodic benefit cost | | |
| Service cost | \$ 119,018 | \$ 194,906 |
| Interest cost | 289,634 | 311,981 |
| Expected return on plan assets | (500,497) | (447,703) |
| Amortization of prior service credit | (6,242) | (10,646) |
| Amortization of actuarial loss | 53,783 | 16,931 |
| Curtailement gain | (73,198) | (415,834) |
| Settlement gain | (12) | (111) |
| Net periodic benefit cost | <u>\$ (117,514)</u> | <u>\$ (350,476)</u> |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2014, are \$4,200 and \$7,630, respectively.

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below:

| | June 30, | |
|---|----------|-------|
| | 2013 | 2012 |
| Weighted-average discount rate | 4.88% | 4.42% |
| Weighted-average rate of compensation increase | 3.81% | 4.00% |
| Weighted-average expected long-term rate of return on plan assets | 8.30% | 8.43% |

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield, and private credit. Deflation strategies include core fixed income, absolute return hedge funds, and cash. Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, real asset funds, private equity funds, commodity funds, private credit funds, and certain other private funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value as determined by each fund's investment manager, which approximates fair value. The fair value of the System Plans' alternative investments in the Trust as of June 30, 2013, is reported in the fair value measurement table that follows. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments of certain private funds, whose fair value was approximately \$665,000 at June 30, 2013, cannot be redeemed. However, the potential for the System Plans to sell their interest in real asset funds and private equity funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2013, investment periods expire between July 2013 and March 2018. The remaining unfunded capital commitments of the Trust total approximately \$525,000 for 57 individual contracts as of June 30, 2013.

The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2013 and 2012 and the target allocation for fiscal 2014, by asset category, are as follows:

| Asset category | Target Allocation 2014 | Percentage of Plan Assets at Year-End | |
|-----------------------|---------------------------------------|--|-------------|
| | | 2013 | 2012 |
| Growth | 50% | 52% | 49% |
| Deflation | 30 | 29 | 32 |
| Inflation | 20 | 19 | 19 |
| Total | 100% | 100% | 100% |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The System Plans' assets in the Other Trusts are invested in portfolios designed to best serve the participants of the System Plans' through a long-term investment strategy designed to ensure that funds are available to pay benefits as they become due and to maximize the total return at a prudent level of investment risk. The System Plans' assets invested in the Other Trusts are diversified among various assets classes based upon established investment guidelines.

| <u>Asset category</u> | Target Allocation | Percentage of Plan Assets at Year-End | |
|-----------------------|------------------------------|--|-------------|
| | 2014 | 2013 | 2012 |
| Cash | 4% | 6% | 1% |
| Growth | 58 | 61 | 63 |
| Income | 29 | 25 | 22 |
| Other | 9 | 8 | 14 |
| Total | 100% | 100% | 100% |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The following tables summarize fair value measurements at June 30, 2013 and 2012, by asset class and by level, for the System Plans' assets and liabilities. As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------|-----------|-----------|---------------------|
| June 30, 2013 | | | | |
| Short-term investments | \$ 324,803 | \$ 20,331 | \$ — | \$ 345,134 |
| Derivatives receivable | 1,078 | 337 | 21,059 | 22,474 |
| U.S. government, state, municipal, and agency obligations | — | 1,671,493 | 1,266 | 1,672,759 |
| Corporate and foreign fixed income securities | 25,843 | 566,812 | 53,729 | 646,384 |
| Asset-backed securities | — | 226,920 | 22,838 | 249,758 |
| Equity securities | 1,317,933 | 18,741 | 2,936 | 1,339,610 |
| Alternative investments and other investments: | | | | |
| Private equity and real estate funds | — | — | 747,864 | 747,864 |
| Hedge funds | 34,708 | — | 1,452,190 | 1,486,898 |
| Commodities funds and other investments | — | 316,971 | 271,282 | 588,253 |
| Assets not at fair value | | | | 334,875 |
| Total | | | | <u>7,434,009</u> |
| Derivatives payable | 68 | 300 | 248,988 | 249,356 |
| Investments sold, not yet purchased | 3,794 | (71) | — | 3,723 |
| Liabilities not at fair value | | | | 438,546 |
| Total | | | | <u>691,625</u> |
| Fair value of plan assets | | | | <u>\$ 6,742,384</u> |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------|-----------|-----------|---------------------|
| June 30, 2012 | | | | |
| Short-term investments | \$ 192,025 | \$ 5,392 | \$ – | \$ 197,417 |
| Derivatives receivable | 63,991 | 92,702 | 14,229 | 170,922 |
| U.S. government, state, municipal, and agency obligations | – | 2,189,580 | 1,903 | 2,191,483 |
| Corporate and foreign fixed income securities | 70,238 | 387,734 | 28,308 | 486,280 |
| Asset-backed securities | – | 194,201 | 14,243 | 208,444 |
| Equity securities | 782,558 | – | 1,514 | 784,072 |
| Alternative investments and other investments: | | | | |
| Private equity and real estate funds | – | – | 546,165 | 546,165 |
| Hedge funds | – | – | 1,187,124 | 1,187,124 |
| Commodities funds and other investments | – | – | 282,320 | 282,320 |
| Assets not at fair value | | | | 874,681 |
| Total | | | | <u>6,928,908</u> |
| Derivatives payable | 5,849 | 51,314 | 6,055 | 63,218 |
| Investments sold, not yet purchased | – | 29,342 | – | 29,342 |
| Liabilities not at fair value | | | | 843,671 |
| Total | | | | <u>936,231</u> |
| Fair value of plan assets | | | | <u>\$ 5,992,677</u> |

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

For the years ended June 30, 2013 and 2012, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

| | Net Derivatives | U.S. Government, State, Municipal, and Agency Obligations | Corporate and Foreign Fixed Income Securities | Asset-Backed Securities | Equity Securities | Private Equity and Real Estate Funds | Hedge Funds | Commodities Funds and Other Investments |
|--|--------------------|--|---|----------------------------|----------------------|---|----------------|--|
| June 30, 2013 | | | | | | | | |
| Beginning balance | \$ 8,174 | \$ 1,903 | \$ 28,308 | \$ 14,243 | \$ 1,514 | \$ 546,165 | \$ 1,187,124 | \$ 282,320 |
| Acquisitions | — | — | — | — | — | 37,048 | — | 9,994 |
| Total actual return on assets | (154,133) | 130 | (171) | (89) | 5 | 54,153 | 147,977 | (21,032) |
| Purchases, issuances, and settlements | (122,486) | (767) | 31,994 | 20,384 | 1,417 | 98,174 | 156,513 | — |
| Transfers into (out of) Level 3 | 40,516 | — | (6,402) | (11,700) | — | 12,324 | (39,424) | — |
| Ending balance | \$ (227,929) | \$ 1,266 | \$ 53,729 | \$ 22,838 | \$ 2,936 | \$ 747,864 | \$ 1,452,190 | \$ 271,282 |
| Actual return on plan assets relating to plan assets still held at June 30, 2013 | \$ (280,606) | \$ 59 | \$ (2,202) | \$ (115) | \$ 227 | \$ 54,968 | \$ 147,248 | \$ (21,024) |
| June 30, 2012 | | | | | | | | |
| Beginning balance | \$ (208,367) | \$ 2,129 | \$ 19,462 | \$ 4,427 | \$ 1,701 | \$ 376,420 | \$ 1,011,817 | \$ 203,246 |
| Acquisitions | — | — | — | — | — | — | 30,428 | — |
| Total actual return on assets | 167,900 | 48 | 1,431 | (211) | (196) | 25,991 | (9,426) | (30,748) |
| Purchases, issuances, and settlements | 48,641 | (274) | 9,662 | 10,517 | — | 143,754 | 154,305 | 109,826 |
| Transfers (out of) into Level 3 | — | — | (2,247) | (490) | 9 | — | — | (4) |
| Ending balance | \$ 8,174 | \$ 1,903 | \$ 28,308 | \$ 14,243 | \$ 1,514 | \$ 546,165 | \$ 1,187,124 | \$ 282,320 |
| Actual return on plan assets relating to plan assets still held at June 30, 2012 | \$ 9,095 | \$ 11 | \$ (820) | \$ (477) | \$ — | \$ 18,389 | \$ (38,835) | \$ (29,356) |

The Trust has entered into a series of interest rate swap agreements with a net notional amount of \$2,699,100. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 75% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Information about the expected cash flows for the System Plans follows:

| | |
|--------------------------------------|-----------|
| Expected employer contributions 2014 | \$ 53,090 |
| Expected benefit payments: | |
| 2014 | 445,000 |
| 2015 | 452,800 |
| 2016 | 464,400 |
| 2017 | 484,000 |
| 2018 | 489,500 |
| 2019–2023 | 2,461,000 |

The contribution amount above includes amounts paid to Trusts. The benefit payment amounts above reflect the total benefits expected to be paid from Trusts.

Other Postretirement Benefit Plans

In addition to the retirement plan described above, certain Health Ministries sponsor postretirement benefit plans that provide healthcare benefits to qualified retirees who meet certain eligibility requirements. The total benefit obligation of these plans at June 30, 2013 and 2012, is \$45,308 and \$47,428, respectively. The net obligation included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2013 and 2012, is \$6,624 and \$12,423, respectively. The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2013, was \$2,678.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. There are three primary types of contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in these employer contributions immediately. Expenses for the defined-contribution plans were \$202,838 and \$127,134 during 2013 and 2012, respectively.

10. Self-Insurance Programs

Certain System hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. The System provides its self-insurance through various trust funds and captive insurance companies. Actuarially determined amounts, discounted at 6% for the System, are contributed to the trust funds and the captive insurance companies to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported, which are discounted at 6% in 2013 and 2012 for the System. Those entities not participating in the self-insured programs are insured under separate policies.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Self-Insurance Programs (continued)

Professional and General Liability Programs

Professional and general liability coverage is provided on a claims-made basis through a wholly owned onshore trust and through AHIL.

AHIL has a self-insured retention of \$10,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Sunflower Assurance, Inc. (Sunflower) was acquired when Marian Health System joined the System. Sunflower provides excess coverage with limits up to \$75,000 above the primary coverage for Via Christi Health and retains 10% of the first reinsurance layer of \$10,000 on a quota share basis. The remaining excess coverage is reinsured by commercial carriers.

Self-insured entities in the states of Indiana, Kansas, and Wisconsin are provided professional liability coverage with limits in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of \$74,887 and \$71,687 for the years ended June 30, 2013 and 2012, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are professional and general liability loss reserves of \$614,913 and \$596,381 at June 30, 2013 and 2012, respectively.

AHIL also offers physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at the System's various facilities, primarily in Michigan, Indiana, Kansas, and Illinois. Coverage is offered to physicians with limits ranging from \$100 per claim to \$1,000 per claim with various aggregate limits.

Edessa Insurance Company Ltd. (Edessa) was acquired as part of the Alexian Brothers business combination, as discussed in the Organizational Changes note. Effective July 1, 2012, the self-insurance programs of Edessa were consolidated into AHIL, and Edessa ceased operations.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Self-Insurance Programs (continued)

Workers' Compensation

Workers' compensation coverage is provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to \$1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Workers' compensation coverage for Marian Health System is self-insured or commercially insured up to various limits. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and represent claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of \$44,395 and \$40,256 for the years ended June 30, 2013 and 2012, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of \$137,825 and \$110,657 at June 30, 2013 and 2012, respectively.

11. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

| Year ending June 30: | |
|----------------------|-------------------|
| 2014 | \$ 211,716 |
| 2015 | 191,235 |
| 2016 | 149,545 |
| 2017 | 121,166 |
| 2018 | 93,215 |
| Thereafter | 231,248 |
| Total | <u>\$ 998,125</u> |

Certain System entities are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs) and medical and information technology equipment. In addition, certain System entities have subleased space within buildings where the entity has a current operating lease commitment. Certain System entities are also lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the System entity.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Lease Commitments (continued)

The System's future minimum noncancelable payments associated with operating leases where a System entity is the lessee, as well as future minimum noncancelable receipts associated with operating leases where a System entity is the sublessor or lessor, are presented in the table that follows. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

| | Future Payments Where the System is Lessee | Future Receipts Where the System is Sublessor/ Lessor | Net Future Payments (Receipts) |
|----------------------|---|--|---|
| Year ending June 30: | | | |
| 2014 | \$ 211,716 | \$ 45,749 | \$ 165,967 |
| 2015 | 191,235 | 38,072 | 153,163 |
| 2016 | 149,545 | 32,591 | 116,954 |
| 2017 | 121,166 | 28,075 | 93,091 |
| 2018 | 93,215 | 25,289 | 67,926 |
| Thereafter | 231,248 | 299,907 | (68,659) |
| Total | <u>\$ 998,125</u> | <u>\$ 469,683</u> | <u>\$ 528,442</u> |

Rental expense under operating leases amounted to \$365,718 and \$336,538 in 2013 and 2012, respectively.

12. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

In March 2013, the System and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of its System Plans. The System does not believe that this matter will have a material adverse effect on the System's financial position or results of operations.

Ascension Health Alliance

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Contingencies and Commitments (continued)

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, identified System hospitals are reviewing applicable medical records and responding to the DOJ. The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time. Through September 18, 2013, the DOJ has not asserted any claims against any System hospitals. The System continues to fully cooperate with the DOJ in its investigation.

The System enters into agreements with nonemployed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The carrying amounts of the liability for the System's obligation under these guarantees were \$44,606 and \$26,678 at June 30, 2013 and 2012, respectively, and are included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets. The maximum amount of future payments that the System could be required to make under these guarantees is approximately \$100,100.

The System entered into agreements with sponsors for support through January 2017. The System's obligation under these agreements totals \$49,028 at June 30, 2013, and is included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheet.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately \$201,600.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 27 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Group at June 30, 2013:

| | | |
|--|----|--------|
| Hospital de la Concepción 2000 Series A debt guarantee | \$ | 30,185 |
| St. Vincent de Paul Series 2000A debt guarantee | | 28,300 |
| Other guarantees and commitments | | 33,937 |