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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047
	The organization may have to use a copy of this return to satisfy state reporting requirements	<div> <div>2012</div> <div>Open to Public Inspection</div> </div>

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




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 Mercy Medical Center		D Employer identification number 52-0591658
	Doing Business As		E Telephone number (410) 332-9000
	Number and street (or P O box if mail is not delivered to street address) 301 St Paul Place Suite	Room/suite	
	City or town, state or country, and ZIP + 4 Baltimore, MD 21202		G Gross receipts \$ 430,766,117
F Name and address of principal officer THOMAS MULLEN 301 ST PAUL PLACE BALTIMORE, MD 21202			H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
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.mdmercy.com			

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities Grounded in a vision of God's healing love for all people, we are committed to providing healthcare for persons of every creed, color, and economic and social condition in Balt City, Central MD and beyond		
	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)	3	7
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	1
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	3,734
	6 Total number of volunteers (estimate if necessary)	6	155
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	799,213
7b Net unrelated business taxable income from Form 990-T, line 34	7b	-493,446	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 11,319,519	Current Year 11,060,143
	9 Program service revenue (Part VIII, line 2g)	391,810,086	399,628,631
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,289,719	3,608,903
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	14,155,298	15,945,594
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	418,574,622	430,243,271
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
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)		191,436,994	196,990,529
16a Professional fundraising fees (Part IX, column (A), line 11e)		0	0
b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		209,893,292	226,612,848
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		401,330,286	423,603,377
19 Revenue less expenses Subtract line 18 from line 12		17,244,336	6,639,894
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	824,502,645	806,011,712
	21 Total liabilities (Part X, line 26)	562,696,283	556,516,459
	22 Net assets or fund balances Subtract line 21 from line 20	261,806,362	249,495,253

Part II Signature Block

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

Sign Here	*****				2014-05-13	
	Signature of officer				Date	
Paid Preparer Use Only	JUSTIN DEIBEL CFO					
	Type or print name and title					
	Print/Type preparer's name TINA C ECKLOFF		Preparer's signature		Date 2014-05-09	Check <input type="checkbox"/> if self-employed
	Firm's name  COHEN RUTHERFORD KNIGHT PC				Firm's EIN 	
Firm's address  6903 ROCKLEDGE DRIVE SUITE 500				Phone no (301) 828-1008		
		BETHESDA, MD 208171800				

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

Part III

Statement of Program Service Accomplishments

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

☐

1

Briefly describe the organization's mission

MERCY IS DEDICATED TO CARRYING FORWARD THE 136 - YEAR TRADITION OF THE SISTER'S HEALING MINISTRY IN BALTIMORE GROUNDED IN A VISION OF GOD'S HEALING LOVE FOR ALL PEOPLE, WE ARE COMMITTED TO PROVIDING HEALTHCARE FOR PERSONS OF EVERY CREED, COLOR, AND ECONOMIC AND SOCIAL CONDITION IN BALTIMORE CITY, CENTRAL MARYLAND AND BEYOND IN THE TRADITION OF CATHOLIC HEALTHCARE AND OF THE SISTERS OF MERCY, WE CONTINUE OUR SPECIAL COMMITMENT TO POOR AND UNDERSERVED PERSONS MERCY IS DRIVEN BY ITS MISSION TO SERVE AND WILL REMAIN STEADFAST IN ITS COMMITMENT TO UPHOLD ITS HIGHEST STANDARDS FOR CARE, ITS COMMITMENT OT THE POOR AND ITS COMMITMENT OT BALTIMORE WE ARE HERE TO PROVIDE EXCELLENT HEALTHCARE, WITH COMPASSION AND RESPECT, TO ALL WHO COME TO US FOR HELP

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 \$ 312,636,054 including grants of \$) (Revenue \$ 413,647,336)

To provide healthcare to patients without regard to ability to pay Mercy strives to provide excellent clinical services across the life span within a community of compassionate care Mercy Medical Center (MMC) has 226 licensed beds and had 16,584 inpatient admissions for the fiscal year ending June 30,2012 Mercy Medical Center's primary service area (PSA) which comprises 17 ZIP codes in Baltimore City, accounts for almost 60% of its total admissions The key demographic characteristics of the PSA are as follows 64% of the population is black 62% of patients served by MMC are members of a racial or ethnic minority 65% are women 53% are Medicaid and/or Medicare beneficiaries 12% of the population is 65 year in age and older The median household income of the population is \$39,113 40% of Baltimore City households reported a income of less than \$30,000 Three times as many families living in Baltimore City had income that was below the poverty level compared to all familes in Maryland Within the hospital's 17 zip codes that comprise the PSA 35% of families live beLOW the federal poverty level definition Due to its location in center city, MMC cares for many of the at-risk, low income population in the communities that immediately surround the hospital This is best evidenced by the large percentage of emergency room visits by Medicaid, uninsured, and Medicare patients Medicaid covered and uninsured patients accounted for more than 66% of FY2012 emergency room visits In FY 2012, the supportive housing program provided a comprehensive range coueseling services and community resource linkages to 157 clients These services incurred a direct costs of \$417,952 during FY 2013 MMC delivered more babies, 2,877, than any other hospital in Baltimore City in FY 2012 Of these babies, 10 6% were of low birth weight and 13 7% were premature 63% of the patients who delivered babies at MMC were either Medicaid beneficianes or uninsured/self pay This population is especially linked with low birth weight and prematurty due to poverty that closely related to unhealthy lifestyles, particularly, poor nutrittion and inadequate prenatal care

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 ▶ 312,636,054

Form 990 (2012)

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>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
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>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		No
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>		
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>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		No
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>		No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		No
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>	Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>	Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>		No
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>		No
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>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>	Yes	
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>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		No
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>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	417	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	3,734	
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	Yes	
b	If "Yes," enter the name of the foreign country: CJ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
7d	If "Yes," indicate the number of Forms 8822 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	Yes	
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶MD
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 ▶JOHN TOPPER 301 ST PAUL PLACE Baltimore, MD (410) 332-9313

Part VII

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

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

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) THOMAS MULLEN CHAIR, EX OFFICIO	15 0 25 0	X		X				0	2,066,702	32,250
(2) SAMUEL MOSKOWITZ EXEC VP/VICE CHAIR	34 0 6 0	X		X				213,294	0	14,385
(3) SCOTT SPIER md SECRETARY	33 5 6 5	X		X				744,703	0	31,250
(4) JOHN TOPPER SR VP & CFO/TREASURER	15 0 25 0	X		X				0	516,591	30,650
(5) SUSAN FINLAYSON SR VP/DIRECTOR	38 0 2 0	X						477,569	0	21,550
(6) TOM MALIA DIRECTOR	40 0 0 0	X						0	0	0
(7) MICHAEL MULLANE SR VICE PRESIDENT CLINICAL PRG	25 0 15 0	X						397,303	0	34,250
(8) Judith Weiland Sr Vice President	15 0 25 0				X			401,374	0	10,250
(9) ROBERT EDWARDS SENIOR VP	10 0 30 0					X		395,030	0	31,250
(10) WILMA A S ROWE MD PRESIDENT MEDICAL STAFF	39 5 5					X		758,424	0	22,143
(11) MICHAEL SAMBAT MD PHYSICIAN	40 0 0 0					X		418,780	0	21,280
(12) ALBERT HAN MD PHYSICIAN	40 0 0 0					X		377,696	0	16,691
(13) DAVID BRIGHT MD PHYSICIAN	40 0 0 0					X		358,372	0	6,271

Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)							4,542,545	2,583,293	272,220	

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 **127**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
WHITING TURNER , PO BOX 17596 BALTIMORE MD 21297	CONSTRUCTION	13,078,549
CURA HOSPITALITY , PO BOX 644091 PITTSBURG PA 152644091	FOOD SERVICES	4,679,140
UNIVERSITY OF MARYLAND MEDICAL SYST , 22 SOUTH GREENE ST BALTIMORE MD 21201	MEDICAL SERVICES	3,607,190
MERCY ANESTHESIOLOGY ASSOC PA , 200 E LEXINGTON STREET STE 907 BALTIMORE MD 21202	MEDICAL SERVICES	3,038,592
RADAMERICA II LLC , 9105 FRANKLIN SQUARE DR BALTIMORE MD 21237	MEDICAL SERVICES	3,013,645

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 ►84

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514			
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a						
	b	Membership dues	1b						
	c	Fundraising events	1c						
	d	Related organizations	1d	6,598,549					
	e	Government grants (contributions)	1e	3,853					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	4,457,741					
	g	Noncash contributions included in lines 1a-1f \$		2,773,592					
	h	Total. Add lines 1a-1f		11,060,143					
Program Service Revenue	2a	PATIENT REVENUE	Business Code	398,920,631	398,920,631				
	b	PEDIATRIC REVENUE		708,000	708,000				
	c								
	d								
	e								
	f	All other program service revenue							
	g	Total. Add lines 2a-2f		399,628,631					
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		3,628,440		3,628,440		
4		Income from investment of tax-exempt bond proceeds . . .		0					
5		Royalties		0					
6a		Gross rents	(i) Real	(ii) Personal					
			1,617,507						
		b	Less rental expenses					503,309	
		c	Rental income or (loss)					1,114,198	0
d		Net rental income or (loss)		1,114,198		-13,478	1,127,676		
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other					
		b	Less cost or other basis and sales expenses					19,537	
		c	Gain or (loss)					-19,537	
d		Net gain or (loss)		-19,537			-19,537		
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a						
b		Less direct expenses	b						
c		Net income or (loss) from fundraising events . . .		0					
9a		Gross income from gaming activities See Part IV, line 19	a						
b		Less direct expenses	b						
c		Net income or (loss) from gaming activities . . .		0					
10a		Gross sales of inventory, less returns and allowances	a						
b	Less cost of goods sold	b							
c	Net income or (loss) from sales of inventory . . .		0						
	Miscellaneous Revenue	Business Code							
11a	MANAGEMENT FEE	561000	7,269,025	7,038,834	230,191				
b	TELEVISION SERVICE		4,716	4,716					
c	CAFETERIA REVENUE		2,781,943	2,781,943					
d	All other revenue		4,775,712	4,193,212	582,500				
e	Total. Add lines 11a-11d		14,831,396						
12	Total revenue. See Instructions		430,243,271	413,647,336	799,213	4,736,579			

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

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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.	0			
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	0	0	0	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	165,135,155	119,731,233	45,403,922	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	4,445,496	3,409,695	1,035,801	0
9	Other employee benefits.	15,862,048	12,166,190	3,695,858	0
10	Payroll taxes.	11,547,830	8,857,186	2,690,644	0
11	Fees for services (non-employees):				
a	Management.	1,734,027	0	1,734,027	
b	Legal.	1,095,927	19,378	1,076,549	
c	Accounting.	495,622	192,677	302,945	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	313,950		313,950	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	27,889,453	19,619,451	8,270,002	0
12	Advertising and promotion.	1,598,623	1,568,148	30,475	
13	Office expenses.	96,039,291	90,564,228	5,475,063	
14	Information technology.	886,457	886,457		
15	Royalties.	0			
16	Occupancy.	9,245,116	8,989,358	255,758	
17	Travel.	411,571	355,288	56,283	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	344,245	94,056	250,189	
20	Interest.	18,724,592	18,724,592		
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	33,058,838	7,203,611	25,855,227	
23	Insurance.	7,942,428	6,845,449	1,096,979	
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	REPAIRS AND MAINT.	10,381,175	8,887,727	1,493,448	
b	PERSONAL PROPERTY TAXES.	1,841		1,841	
c	OTHER.	6,315,743	4,442,949	1,872,794	
d	DONATIONS.	78,381	78,381		
e	All other expenses.	10,055,568		10,055,568	
25	Total functional expenses. Add lines 1 through 24e.	423,603,377	312,636,054	110,967,323	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		70,025,666	1	63,195,911
	2	Savings and temporary cash investments		2,217,827	2	2,155,083
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		17,054,485	4	22,709,401
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		46,164	7	168,391
	8	Inventories for sale or use		6,985,508	8	6,705,793
	9	Prepaid expenses and deferred charges		4,367,030	9	4,030,649
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a790,943,309			
	b	Less accumulated depreciation	10b272,943,582	521,694,614	10c	517,999,727
	11	Investments—publicly traded securities		33,062,493	11	33,759,446
	12	Investments—other securities See Part IV, line 11		109,341,464	12	115,263,642
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		59,707,394	15	40,023,669
	16	Total assets. Add lines 1 through 15 (must equal line 34)		824,502,645	16	806,011,712
Liabilities	17	Accounts payable and accrued expenses		57,526,162	17	57,713,023
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		439,456,793	20	432,591,274
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		65,713,328	25	66,212,162
	26	Total liabilities. Add lines 17 through 25		562,696,283	26	556,516,459
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		237,087,341	27	226,961,542
	28	Temporarily restricted net assets		23,595,591	28	21,410,281
	29	Permanently restricted net assets		1,123,430	29	1,123,430
	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		261,806,362	33	249,495,253
	34	Total liabilities and net assets/fund balances		824,502,645	34	806,011,712

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	430,243,271
2	Total expenses (must equal Part IX, column (A), line 25)	2	423,603,377
3	Revenue less expenses Subtract line 2 from line 1	3	6,639,894
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	261,806,362
5	Net unrealized gains (losses) on investments	5	16,440,162
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	-35,391,165
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	249,495,253

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

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)		

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

Part II

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

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

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

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

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

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

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

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

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

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

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization Mercy Medical Center	Employer identification number 52-0591658
--	--

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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

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

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

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

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

☐ Yes

☐ No

b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	1,123,000	1,123,000	1,123,000	1,123,000	1,123,000
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	1,123,000	1,123,000	1,123,000	1,123,000	1,123,000

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 100 000 %

c

Temporarily restricted endowment

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

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

4

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		8,477,837		8,477,837
b Buildings		552,878,793	124,550,283	428,328,510
c Leasehold improvements				
d Equipment		179,126,996	148,393,299	30,733,697
e Other		50,459,683		50,459,683
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				517,999,727

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			
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			
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)			5

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
ENDOWMENT FUNDS	SCHEDULE D, PART V, LINE 4	\$1,000,000 of the endowment fund balance stems from a permanent endowment administered and held by Mercy Health Foundation, a related entity of Mercy Medical Center. THE PURPOSE OF THE ENDOWMENT IS TO SUPPORT THE HEALTHCARE MINISTRY OF THE SISTERS OF MERCY AT MERCY MEDICAL CENTER.
FIN 48 DISCLOSURE	SCHEDULE D, PART X, LINE 2	MHS, MMC, SMI, MFC, SPPS, MHF AND MSS ARE NOT-FOR-PROFIT ORGANIZATIONS EXEMPT FROM FEDERAL INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE, AND ARE THEREFORE NOT SUBJECT TO FEDERAL INCOME TAX UNDER CURRENT INCOME TAX REGULATIONS. MHS SUBSIDIARIES OTHERWISE EXEMPT FROM FEDERAL AND STATE TAXATION ARE NONETHELESS SUBJECT TO TAXATION AT CORPORATE TAX AT BOTH THE FEDERAL AND STATE LEVEL ON THEIR UNRELATED BUSINESS INCOME. CURRENT ACCOUNTING STANDARDS DEFINE THE THRESHOLD FOR RECOGNIZING UNCERTAIN INCOME TAX RETURN POSITIONS IN THE FINANCIAL STATEMENTS AS "MORE LIKELY THAN NOT" THAT THE POSITION IS SUSTAINABLE, BASED ON ITS TECHNICAL MERITS, AND ALSO PROVIDE GUIDANCE ON THE MEASUREMENT, CLASSIFICATION, AND DISCLOSURE OF TAX RETURN POSITIONS IN THE FINANCIAL STATEMENTS. MANAGEMENT BELIEVES THERE IS NO IMPACT ON MHS'S ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS RELATED TO UNCERTAIN INCOME TAX POSITIONS.

Additional Data

Software ID:
Software Version:
EIN: 52-0591658
Name: Mercy Medical Center

Form 990, Schedule D, Part X, - Other Liabilities

1	(a) Description of Liability	(b) Book Value
	CONSTRUCTION RETAINAGE	2,042,482
	POST RETIREMENT OBLIGATION	5,574,600
	DEFERRED COMPENSATION	5,738,105
	MERRILL LYNCH SWAP	28,843,319
	MALPRACTICE TAIL LIABILITY	327,536
	CARDINAL DEPOSIT	1,775,333
	RETIREMENT ANNUITY PLAN OBLIGA	4,176,076
	ESTIMATED TAIL LIAB GIC	1,000,000
	DUE TO RELATED PARTIES	8,734,711
	LINE OF CREDIT	8,000,000

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

Part I

General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. 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 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
Central America and the Caribbean			Investments		3,847,809
3a Sub-total					3,847,809
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					3,847,809

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

[illegible]

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☒ Yes ☐ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes ☒ No

Supplemental Information

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			13,289,305		13,289,305	3 140 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d Total Financial Assistance and Means-Tested Government Programs .			13,289,305		13,289,305	3 140 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			6,265,501		6,265,501	1 480 %
f Health professions education (from Worksheet 5)			14,445,975		14,445,975	3 410 %
g Subsidized health services (from Worksheet 6)			11,856,616		11,856,616	2 800 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			272,100		272,100	0 070 %
j Total. Other Benefits			32,840,192		32,840,192	7 760 %
k Total. Add lines 7d and 7j .			46,129,497		46,129,497	10 900 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing			700,487		700,487	0 170 %
2Economic development						
3Community support			132,808		132,808	0 040 %
4Environmental improvements						
5Leadership development and training for community members			136,471		136,471	0 040 %
6Coalition building						
7Community health improvement advocacy			246,470		246,470	0 060 %
8Workforce development						
9Other						
10Total			1,216,236		1,216,236	0 310 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

No

2

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

2

21,787,264

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

0

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

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

5

127,119,807

6

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

6

104,864,061

7

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

7

22,255,746

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.
☐ Cost accounting system ☐ Cost to charge ratio ☒ Other

Section C. Collection Practices

9a

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

9a

Yes

9b

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

9b

Yes

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

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

Schedule H (Form 990) 2012

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	MERCY MEDICAL CENTER 301 ST PAUL PLACE BALTIMORE,MD 21202	X	X		X			X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

MERCY MEDICAL CENTER

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<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 20 <u>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	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
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 type="checkbox"/> Execution of the implementation strategy		
c	<input 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 type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" 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	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <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 type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a <input checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" 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 upon request			
g <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a <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		17	No
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)			

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1

Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2

Needs assessment. Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3

Patient education of eligibility for assistance. Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4

Community information. Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5

Promotion of community health. Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6

Affiliated health care system. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7

State filing of community benefit report. If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8

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

Identifier	ReturnReference	Explanation
MARYLAND HOSPITAL ASSOCIATION UNIFIED MARYLAND HOSPITAL RESPONSES	PART I, LINES 7A, 7B AND 7F	7A CHARITY CARE AT COST AND 7F HEALTH PROFESSIONS EDUCATION ARE EXPLAINED IN THE FOLLOWING MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE 7B UNREIMBURSED MEDICAID IS EXPLAINED IN THE FOLLOWING MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE SETTING SYSTEM FOR FY 2013 MERCY MEDICAL CENTER'S SHARE OF THE MEDICAID ASSESSMENT WAS \$1,654,912
PART I, LINE 3C		MERCY MEDICAL CENTER PROVIDES EMERGENCY AND OTHER MEDICALLY NECESSARY CARE TO PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE AT NO CHARGE OR AT REDUCED-COST BASED ON A SLIDING SCALE FOR INCOME (UP TO APPROXIMATELY 400% OF THE FEDERAL POVERTY GUIDELINES) AND TAKING INTO ACCOUNT OTHER CONSIDERATIONS, AS DESCRIBED BELOW IN ORDER TO QUALIFY FOR FINANCIAL ASSISTANCE UNDER MERCY MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY, A PATIENT MUST BE A U S CITIZEN OR PERMANENT LEGAL RESIDENT WHO QUALIFIES UNDER AT LEAST ONE OF THE FOLLOWING CONDITIONS 1 A PATIENT WITH FAMILY INCOME AT OR BELOW 200% OF THE FEDERAL POVERTY LEVEL, WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS QUALIFIES FOR FULL FINANCIAL ASSISTANCE IN THE FORM OF FREE MEDICALLY NECESSARY CARE 2 A PATIENT NOT OTHERWISE ELIGIBLE FOR MEDICAID OR CHIP WHO IS A BENEFICIARY/RECIPIENT OF A MEANS-TESTED SOCIAL SERVICES PROGRAM, INCLUDING BUT NOT NECESSARILY LIMITED TO THE FOLLOWING PROGRAMS, IS DEEMED ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF FREE MEDICALLY NECESSARY CARE, PROVIDED THAT THE PATIENT SUBMITS PROOF OF ENROLLMENT WITHIN 30 DAYS UNLESS THE PATIENT OR THE PATIENT'S REPRESENTATIVE REQUESTS AN ADDITIONAL 30 DAYS A) HOUSEHOLDS WITH CHILDREN IN THE FREE OR REDUCED LUNCH PROGRAM B) SUPPLEMENTAL NUTRITIONAL ASSISTANCE PROGRAM (SNAP) C) LOW-INCOME-HOUSEHOLD ENERGY ASSISTANCE PROGRAM D) PRIMARY ADULT CARE PROGRAM (PAC), UNTIL SUCH TIME AS INPATIENT BENEFITS ARE ADDED TO THE PAC BENEFIT PACKAGE E) WOMEN, INFANTS, AND CHILDREN (WIC) 3 A PATIENT WITH FAMILY INCOME AT OR BELOW 400% OF FEDERAL POVERTY LEVEL, WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS QUALIFIES FOR PARTIAL FINANCIAL ASSISTANCE IN THE FORM OF REDUCED-COST MEDICALLY NECESSARY CARE THE AMOUNT OF FINANCIAL ASSISTANCE IN THIS CASE IS BASED ON A SLIDING SCALE OF INCOME AND SHOWN IN THE ATTACHED TABLE AND OTHER FACTORS 4 A PATIENT WITH (I) FAMILY INCOME AT OR BELOW 500% OF FEDERAL POVERTY LEVEL, (II) WITH MEDICAL DEBT INCURRED WITHIN THE 12 MONTH PERIOD PRIOR TO APPLICATION THAT EXCEEDS 25% OF FAMILY INCOME FOR THE SAME PERIOD, AND(III) WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS WILL QUALIFY FOR PARTIAL FINANCIAL ASSISTANCE IN THE FORM OF REDUCED-COST MEDICALLY NECESSARY CARE THE AMOUNT OF FINANCIAL ASSISTANCE IN THIS CASE IS BASED ON A SLIDING SCALE OF INCOME, AMOUNT OF MEDICAL DEBT, AND OTHER FACTORS A) AN ELIGIBLE PATIENT OR ANY IMMEDIATE FAMILY MEMBER OF THE PATIENT LIVING IN THE SAME HOUSEHOLD SHALL REMAIN ELIGIBLE FOR REDUCED-COST MEDICALLY NECESSARY CARE WHEN SEEKING SUBSEQUENT CARE AT MERCY MEDICAL CENTER DURING THE 12-MONTH PERIOD BEGINNING ON THE DATE ON WHICH THE REDUCED-COST MEDICALLY NECESSARY CARE WAS INITIALLY RECEIVED B) TO AVOID AN UNNECESSARY DUPLICATION OF MERCY MEDICAL CENTER'S DETERMINATIONS OF ELIGIBILITY FOR FINANCIAL ASSISTANCE, A PATIENT ELIGIBLE FOR CARE UNDER PARAGRAPH 4 A SHALL INFORM THE HOSPITAL OF HIS OR HER ELIGIBILITY FOR THE REDUCED-COST MEDICALLY NECESSARY CARE 5 AN UNINSURED PATIENT WITH FAMILY INCOME BETWEEN 200% AND 500% OF FEDERAL POVERTY LEVEL WHO REQUESTS ASSISTANCE QUALIFIES FOR A PAYMENT PLAN 6 A HOMELESS PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE 7 A DECEASED PATIENT, WITH NO PERSON DESIGNATED AS DIRECTOR OF FINANCIAL AFFAIRS, OR NO ESTATE NUMBER ON FILE AT THE APPICABLE REGISTRARS OF WILLS DEPARTMENT, QUALIFIES FOR FINANCIAL ASSISTANCE 8 A MEDICAID PATIENT WHO HAS A REMAINING BALANCE AFTER RECEIVING MEDICAL ASSISTANCE QUALIFIES FOR FINANCIAL ASSISTANCE 9 MERCY MEDICAL CENTER MAY ELECT TO GRANT PRESUMPTIVE CHARITY CARE TO PATIENTS BASED ON INFORMATION GATHERED DURING A DEBT COLLECTION PROCESS FACTORS INCLUDE PROPENSITY TO PAY SCORING, ELIGIBILITY AND PARTICIPATION IN OTHER FEDERAL PROGRAMS, AND OTHER RELEVANT INFORMATION 10 A PATIENT WHO DOES NOT QUALIFY UNDER THE PRECEDING CATEGORIES MAY STILL APPLY FOR FINANCIAL ASSISTANCE, AND MERCY MEDICAL CENTER WILL REVIEW THE APPLICATION AND MAKE A DETERMINATION ON A CASE-BY-CASE BASIS AS TO ELIGIBILITY FOR FINANCIAL ASSISTANCE FACTORS THAT WILL BE CONSIDERED INCLUDE A) FIXED INCOME SUCH AS SOCIAL SECURITY, RETIREMENT OR DISABILITY WITH NO ADDITIONAL INCOME SOURCES AVAILABLE B) MEDICAL EXPENSES AND/OR C) EXPENSES RELATED TO NECESSITIES OF LIFE COMPARED TO INCOME FOR ALL PURPOSES OF THE FINANCIAL ASSISTANCE POLICY, "HOUSEHOLD MONETARY ASSETS" MEANS ASSETS THAT ARE CONVERTIBLE TO CASH IN DETERMINING A PATIENT'S MONETARY ASSETS FOR PURPOSES OF MAKING AN ELIGIBILITY DETERMINATION UNDER THIS FINANCIAL ASSISTANCE POLICY, THE FOLLOWING ASSETS ARE EXCLUDED, (1) THE FIRST \$10,000 OF MONETARY ASSETS, (2) EQUIT OF \$150,000 IN A PRIMARY RESIDENCE, AND (3) RETIREMENT ASSETS TO WHICH THE IRS HAS GRANTED PREFERENTIAL TAX TREATMENT AS A RETIREMENT ACCOUNT, INCLUDING BUT NOT LIMITED TO, QUALIFIED AND NONQUALIFIED DEFERRED COMPENSATION PLANS

Identifier	ReturnReference	Explanation
PART I, LINE 6A		Community Benefit report is made available on another's website, specifically the website for the Maryland HSCRC MERCY MEDICAL CENTER PREPARES ITS COMMUNITY BENEFIT REPORT ANNUALLY AND ITS MADE AVAILABLE TO THE PUBLIC
PART I, LINE 7G		THERE ARE NO COSTS REPORTED THAT ARE ATTRIBUTABLE TO A PHYSICIAN CLINIC

Identifier	ReturnReference	Explanation
PART I, LINE 7		THE COSTING METHODOLOGY USED TO CALCULATE AMOUNTS REPORTED IN LINE 7 WAS A COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO-CHARGES
PART III, LINE 4		<p>THE AMOUNT REPORTED AS BAD DEBT EXPENSE ON PART III, LINE 2 WAS DETERMINED USING ACTUAL BAD DEBT WRITE-OFFS LESS RECOVERIES RECEIVED DURING THE YEAR AND AN ADJUSTMENT TO THE BALANCE SHEET RESERVE WRITE OFFS WERE AT CHARGE LEVEL THE ORGANIZATION HAS NOT ESTIMATED ANY AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY THE FOLLOWING IS A SUMMARY OF THE TEXT OF THE FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBE THE ORGANIZATION'S BAD DEBT EXPENSE THE ACTUAL TEXT OF THE FOOTNOTE HAS NOT BEEN USED BECAUSE THE ORGANIZATION IS A MEMBER OF A GROUP WITH CONSOLIDATED FINANCIAL STATEMENTS</p> <p>Net Patient Service Revenues and Allowances Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered The organization's charges are based on rates established by the State of Maryland Health Services Cost Review Commission, accordingly, revenue reflects actual charges to patients based on rates in effect during the period in which the services are rendered Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payers, and are accrued in the period in which the related services are rendered The provision for bad debts is based upon management's assessment of historical and expected net collections This estimate considers business and general economic conditions, trends in healthcare coverage and other collection indicators Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon its review of accounts receivable and collections to date Other factors, such as payer mix, account aging, approved discounts, denial rates, and payment cycles are considered when estimating the allowances The results of these assessments are used to determine the provision for bad debts and to estimate an appropriate allowance for uncollectible accounts The organization follows established guidelines for placing its self-pay patient accounts with an outside collection agency After collection efforts are exhausted, the uncollected balances are returned to be written off to bad debts The organization does not maintain a material allowance for uncollectible accounts from third-party payers, nor did it have significant write offs from third-party payers</p>

Identifier	ReturnReference	Explanation
PART III, LINE 8		THE COSTING SOURCE IS THE MEDICARE COST REPORT AND THE METHODOLOGY IS Medicare ALLOWABLE COST TO Medicare REVENUES RECEIVED
PART III, LINE 9B		ONCE THE COLLECTION PROCESS HAS BEGUN, THE ORGANIZATION CONTINUES TO MONITOR WHETHER THE PATIENT QUALIFIES FOR CHARITY CARE UNDER THE FINANCIAL ASSISTANCE POLICY IF THE ORGANIZATION DETERMINES THAT A PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, INCLUDING ONCE THE COLLECTION PROCESS HAS BEGUN, THE ORGANIZATION WILL APPROVE THE PATIENT FOR CHARITY CARE ONCE CHARITY CARE HAS BEEN APPROVED, THERE IS NO FURTHER ATTEMPT MADE BY THE ORGNANIZATION TO COLLECT COLLECTION EFFORTS WILL BE STOPPED AT ANY TIME DURING THE COLLECTION PROCESS IF THE PATIENT QUALIFIES FOR CHARITY CARE UNDER THE FINANCIAL ASSISTANCE POLICY FURTHERMORE, IF A PATIENT'S FINANCIAL SITUATION CHANGES AT ANY POINT DURING THE COLLECTION PROCESS, THE PATIENT MAY QUALIFY FOR FINANCIAL ASSISTANCE AT SUCH POINT PATIENTS DETERMINED TO BE ELIGIBLE FOR FINANCIAL ASSISTANCE SUBSEQUENT TO THE DATE OF SERVICE MAY BE ELIGIBLE FOR A REFUND OF PAYMENTS MADE IF IT IS DETERMINED THAT THE PATIENT WAS ELIGIBLE FOR A REFUND OF PAYMENTS MADE IF IT IS DETERMINED THAT THE PATIENT WAS ELIGIBLE FOR FINANCIAL ASSISTANCE AT THE TIME OF SERVICE

Identifier	ReturnReference	Explanation
PART V		MERCY MEDICAL CENTER (MMC) IS A LICENCED HOSPITAL MMC PROVIDES INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES PRIMARILY FOR THE CITIZENS OF THE BALTIMORE METROPOLITAN AREA
PART V, LINE 3		MERCY MEDICAL CENTER TOOK INTO ACCOUNT INPUT FROM REPRESENTATIVES OF THE COMMUNITY SERVED BY THE HOSPITAL FACILITY, INCLUDING THOSE WITH SPECIALIZED KNOWLEDGE OF OR EXPERTISE IN PUBLIC HEALTH, COMMUNITY LEADERS, AND LEADERS OR REPRESENTATIVES OF LOW INCOME OR UNDERSERVED GROUPS SERVED IN THE COMMUNITY IN PARTICULAR, MERCY MEDICAL CENTER CONDUCTED IN-PERSON INTERVIEWS WITH LEADERS OF NEIGHBORHOOD ASSOCIATIONS, ELECTED OFFICIALS, CHIEF EXECUTIVES OF COMMUNITY HEALTH CLINICS, FOUNDATION EXECUTIVES, ADVOCATES FOR THE HOMELESS AND ELDERLY, MINISTERS OF LOCAL CHURCHES, AND PUBLIC HEALTH EXPERTS (SUCH AS AN EXPERT ON AGING AND OLDER ADULT SERVICES IN THE BALTIMORE REGION, AN EXPERT RELATED TO PROVIDING HEALTH CARE ACCESS TO UNINSURED, AND PHYSICIAN LEADERS)

Identifier	ReturnReference	Explanation
PART V, LINE 6		IN CONNECTION WITH CONDUCTING THE COMMUNITY HEALTH NEEDS ASSESSMENT, MERCY MEDICAL CENTER'S BOARD OF DIRECTORS ADOPTED AN IMPLEMENTATION STRATEGY TO HELP ADDRESS THE COMMUNITY HEALTH NEEDS IDENTIFIED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT BY THE END OF ITS 2012 TAX YEAR, MERCY MEDICAL CENTER HAD ALREADY UNDERTAKEN NUMEROUS STEPS TO BEGIN IMPLEMENTING THE IMPLEMENTATION STRATEGY. MERCY MEDICAL CENTER APPROVED A FY 2014 BUDGET, WHICH INCLUDED SPECIFIC FUNDING FOR ACTIONS TO BE TAKEN PURSUANT TO THE IMPLEMENTATION STRATEGY. IN ADDITION, MERCY MEDICAL CENTER HIRED A PATIENT NAVIGATOR WHOSE JOB FUNCTION IS TO FOCUS ON IMPROVING ACCESS TO CARE FOR HOMELESS PATIENTS. FURTHERMORE, STRATEGIC PLANNING MEETINGS HAVE BEEN UNDERTAKEN WITH KEY REPRESENTATIVES FROM BALTIMORE CITY FEDERALLY QUALIFIED HEALTH CENTERS (FQHCs) TO HELP IMPROVE CARE COORDINATION WITH SUCH FQHCs. FINALLY, MERCY MEDICAL CENTER HAS INITIATED DISCUSSIONS WITH KEY BALTIMORE CITY HEALTH DEPARTMENT STAFF TO BEGIN OUTLINING STRATEGIES FOR IMPROVING BIRTH OUTCOMES AND PRE-NATAL CARE FOR EXPECTANT MOTHERS.
PART V, LINE 7		THE HEALTH AND SOCIAL NEEDS OF MERCY'S COMMUNITY, WHICH WERE IDENTIFIED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT, ARE STAGGERING IN DEPTH AND BREADTH. THIS IS DUE TO MERCY'S LOCATION IN THE MIDDLE OF A POOR, URBAN CITY THAT HAS HEALTH CHALLENGES AND DISPARITIES THAT ARE NOT EVIDENT IN OTHER PARTS OF THE STATE OR COUNTRY. AS A RESULT, MERCY MEDICAL CENTER INTENDS TO FOCUS ITS LIMITED RESOURCES ON A DEFINED NUMBER OF HEALTH NEEDS WITHIN THE COMMUNITY, INCLUDING (1) POOR ACCESS TO CARE AND INFREQUENT CARE FOR THE HOMELESS, (2) POOR BIRTH OUTCOMES AND PRE-NATAL CARE FOR EXPECTANT MOTHERS, (3) POOR CARE COORDINATION WITH THE CITY'S FEDERALLY QUALIFIED HEALTH CENTERS, (4) POOR CARE PROVIDED TO VICTIMS OF VIOLENCE AND ADDICTION, AND (5) INADEQUATE HEALTH EDUCATION TO SEGMENTS OF THE POPULATION WITHIN MERCY MEDICAL CENTER'S COMMUNITY. THE HEALTH CARE NEEDS IDENTIFIED IN THE HOSPITAL'S COMMUNITY HEALTH NEEDS ASSESSMENT THAT THE HOSPITAL WILL NOT ATTEMPT TO ADDRESS ARE HIGH RATES OF HEART DISEASE AND CANCER. THE DETERMINATION OF THE NEEDS THAT MERCY WOULD NOT ATTEMPT TO MEET PURSUANT TO THE COMMUNITY HEALTH NEEDS ASSESSMENT WAS BASED UPON WHETHER OTHER ORGANIZATIONS OR GOVERNMENTAL ENTITIES WERE BETTER PLACED TO RESPOND TO SUCH HEALTH NEEDS THAN MERCY MEDICAL CENTER. CONSIDERABLE LOCAL AND STATE RESOURCES ARE CURRENTLY INVESTED IN THESE KEY CAUSES OF PREMATURE DEATH. FURTHERMORE, TWO LARGE, HIGH QUALITY ACADEMIC MEDICAL CENTERS (JOHNS HOPKINS MEDICAL SYSTEM AND UNIVERSITY OF MARYLAND MEDICAL SYSTEM) EXIST WITHIN WALKING DISTANCE OF MERCY MEDICAL CENTER. MERCY MEDICAL CENTER BELIEVES THAT JOHNS HOPKINS MEDICAL SYSTEM AND THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM MAY BE BETTER SUITED TO ADDRESS THESE COMMUNITY NEEDS, GIVEN THE SIZE AND SPECIFIC MAKEUP OF THEIR CARDIOLOGY AND CANCER PROGRAMS. WHILE MERCY MEDICAL CENTER DOES NOT PLAN TO CREATE NEW STAND-ALONE PROGRAMS IN THESE TWO HIGH PRIORITY FIELDS, WE DO PLAN TO CONTINUE OUR EFFORTS TO REDUCE THESE TOP CAUSES OF PREMATURE DEATH THROUGH OUR EXISTING CLINICAL PROGRAMS AND BY IMPROVING CARE COORDINATION AND HEALTH EDUCATION IN THE COMMUNITY SETTING.

Identifier	ReturnReference	Explanation
PART V, LINE 11		MERCY MEDICAL CENTER PROVIDED EMERGENCY AND OTHER MEDICALLY NECESSARY CARE TO PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE AT NO CHARGE OR REDUCED-COST BASED ON A SLIDING SCALE FOR INCOME (UP TO APPROXIMATELY 400% OF THE FEDERAL POVERTY GUIDELINES) AND TAKING INTO ACCOUNT OTHER CONSIDERATIONS, AS DESCRIBED BELOW IN ORDER TO QUALIFY FOR FINANCIAL ASSISTANCE UNDER MERCY MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY, A PATIENT MUST BE A U S CITIZEN OR PERMANENT LEGAL RESIDENT WHO QUALIFIES UNDER AT LEAST ONE OF THE FOLLOWING CONDITIONS 1 A PATIENT WITH FAMILY INCOME AT OR BELOW 200% OF THE FEDERAL POVERTY LEVEL, WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS QUALIFIES FOR FULL FINANCIAL ASSISTANCE IN THE FORM OF FREE MEDICALLY NECESSARY CARE 2 A PATIENT NOT OTHERWISE ELIGIBLE FOR MEDICAID OR CHIP WHO IS A BENEFICIARY/RECIPIENT OF A MEANS-TESTED SOCIAL SERVICES PROGRAM, INCLUDING BUT NOT NECESSARILY LIMITED TO THE FOLLOWING PROGRAMS, IS DEEMED ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF FREE MEDICALLY NECESSARY CARE, PROVIDED THAT THE PATIENT SUBMITS PROOF OF ENROLLMENT WITHIN 30 DAYS UNLESS THE PATIENT OR PATIENT'S REPRESENTATIVE REQUESTS AN ADDITIONAL 30 DAYS A) HOUSEHOLDS WITH CHILDREN IN THE FREE OR REDUCED LUNCH PROGRAM B) SUPPLEMENTAL NUTRITIONAL ASSISTANCE PROGRAM (SNAP) C) LOW-INCOME-HOUSEHOLD ENERGY ASSISTANCE PROGRAM D) PRIMARY ADULT CARE PROGRAM (PAC), UNTIL SUCH TIME AS INPATIENT BENEFITS ARE ADDED TO THE PAC BENEFIT PACKAGE E) WOMEN, INFANTS, AND CHILDREN (WIC) 3 A PATIENT WITH FAMILY INCOME AT OR BELOW 400% OF FEDERAL POVERTY LEVEL, WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS QUALIFIES FOR PARTIAL FINANCIAL ASSISTANCE IN THE FORM OF REDUCED-COST MEDICALLY NECESSARY CARE THE AMOUNT OF FINANCIAL ASSISTANCE IN THIS CASE IS BASED ON A SLIDING SCALE OF INCOME AND SHOWN IN THE ATTACHED TABLE AND OTHER FACTORS 4 A PATIENT WITH (I) FAMILY INCOME AT OR BELOW 500% OF FEDERAL POVERTY LEVEL, (II) WITH MEDICAL DEBT INCURRED WIHTIN THE 12 MONTH PERIOD PRIOR TO APPLICATION THAT EXCEEDS 25% OF FAMILY INCOME FOR THE SAME PERIOD, AND (III) WITH LESS THAN \$10,000 IN HOUSEHOLD MONETARY ASSETS WILL QUALIFY FOR PARTIAL FINANCIAL ASSISTANCE IN THE FORM OF REDUCED-COST MEDICALLY NECESSARY CARE THE AMOUNT OF FINANCIAL ASSISTANCE IN THIS CASE IS BASED ON A SLIDING SCALE OF INCOME, AMOUNT OF MEDICAL DEBT, AND OTHER FACTORS A)AN ELIBILE PATIENT OR ANY IMMEDIATE FAMILY MEMBER OF THE PATIENT LIVING IN THE SAME HOUSEHOLD SHALL REMAIN ELIGIBLE FOR REDUCED-COST MEDICALLY NECESSARY CARE WHEN SEEKING SUBSEQUENT CARE AT MERCY MEDICAL CENTER DURING THE 12-MONTH PERIOD BEGINNING ON THE DATE ON WHICH THE REDUCED-COST MEDICALLY NECESSARY CARE WAS INITIALLY RECEIVED B)TO AVOID AN UNNECESSARY DUPLICATION OF MERCY MEDICAL CENTER'S DETERMINATIONS OF ELIGIBILITY FOR FINANCIAL ASSISTANCE, A PATIENT ELIGIBLE FOR CARE UNDER PARAGRAPH 4 A SHALL INFORM THE HOSPITAL OF HIS OR HER ELIGIBILITY FOR THE REDUCED-COST MEDICALLY NECESSARY CARE 5 AN UNINSURED PATIENT WITH FAMILY INCOME BETWEEN 200% AND 500% OF FEDERAL POVERTY LEVEL WHO REQUESTS ASSISTANCE QUALIFIES FOR A PAYMENT PLAN 6 A HOMELESS PERSON QUALIFIES FOR FINANCIAL ASSISTANCE 7 A DECEASED PATIENT, WITH NO PERSON DESIGNATED AS DIRECTOR OF FINANCIAL AFFAIRS, OR NO ESTATE NUMBER ON FILE AT HTE APPLICABLE REGISTRARS OF WILLS DEPARTMENT, QUALIFIES FOR FINANCIAL ASSISTANCE 8 A MEDICAID PATIENT WHO HAS A REMAINING BALANCE AFTER MEDICAL ASSISTANCE QUALIFIES FOR FINANCIAL ASSISTANCE 9 MERCY MEDICAL CENTER MAY ELECT TO GRANT PRESUMPTIVE CHARITY CARE TO PATIENTS BASED ON INFORMATION GATHERED DURING A DEBT COLLECTION PROCESS FACTORS INCLUDE PROPENSITY TO PAY SCORING, ELIGIBILITY AND PARTICIPATION IN OTHER FEDERAL PROGRAMS, AND OTHER RELEVANT INFORMATION 10 A PATIENT WHO DOES NOT QUALIFY UNDER THE PRECEDING CATEGORIES MAY STILL APPLY FOR FINANCIAL ASSISTANCE, AND MERCY MEDICAL CENTER WILL REVIEWTHE APPLICATION AND MAKE A DETERMINATION ON A CASE-BY-CASE BASIS AS TO ELIGIBILITY FOR FINANCIAL ASSISTANCE FACTORS THAT WILL BE CONSIDERED INCLUDE A) FIXED INCOME SUCH A SOCIAL SECURITY, RETIREMENT OR DISABILITY WITH NO ADDITIONAL INCOME SOURCES AVAILABLE B) MEDICAL EXPENSES AND/OR C) EXPENSES RELATED TO NECESSITIES OF LIFE COMPARED TO INCOME FOR ALL PURPOSES OF THE FINANCIAL ASSISTANCE POLICY, "HOUSEHOLD MONETARY ASSETS" MEANS ASSETS THAT ARE CONVERTIBLE TO CASH IN DETERMINING A PATIENT'S MONETARY ASSETS FOR PURPOSES OF MAKING AN ELIGIBILITY DETERMINATION UNDER THIS FINANCIAL ASSISTANCE POLICY, THE FOLLOWING ASSETS ARE EXCLUDED, (1) THE FIRST \$10,000 OF MONETARY ASSETS, (2) EQUITY OF \$150,000 IN PRIMARY RESIDENCE, AND (3) RETIREMENT ASSETS TO WHICH THE IRS HAS GRANTED PREFERENTIAL TAX TREATMENT AS A RETIREMENT ACCOUNT, INCLUDING BUT NOT LIMITED TO, QUALIFIED AND NONQUALIFIED DEFERRED COMPENSATION PLANS
PART V, LINE 18		THE HOSPITAL FACILITY OR AN AUTHORIZED THIRD PARTY DID NOT UNDERTAKE ANY OF THE COLLECTION ACTIONS NOTED IN PART V, SECTION B, LINE 17 BEFORE MAKING REASONABLE EFFORTS TO DETERMINE ANY PATIENT'S ELIGIBILITY UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY IN ORDER TO HELP DETERMINE PATIENTS' ELIGIBILITY UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY THE HOSPITAL UNDERTAKES A NUMBER OF ACTIONS, INCLUDING NOTIFYING PATIENTS OF THE FINANCIAL ASSISTANCE POLICY ON ADMISSION, NOTIFYING PATIENTS OF THE FINANCIAL ASSISTANCE POLICY PROIOR TO DISCHARGE, NOTIFYING PATIENTS OF THE FINANCIAL ASSISTANCE POLICY IN COMMUNICATIONS WITH THE PATIENTS' BILLS, AND DOCUMENTING ITS DETERMINATION OF WHETHER PATIENTS WERE ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
PART V, LINE 19		THE HOSPITAL FACILITY PROVIDES A DISCOUNT OF AT LEAST 10% OFF OF GROSS CHARGES FOR THE PROVISION OF EMERGENCY AND OTHER MEDICALLY NECESSARY CARE TO ANY INDIVIDUAL THAT IS ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL FACILITY'S FINANCIAL ASSISTANCE POLICY PURSUANT TO THE HEALTH SERVICES COST REVIEW COMMISSION (HSCRC) ALL-PAYOR SYSTEM FOR HOSPITALS IN THE STATE OF MARYLAND, THE GREATEST DISCOUNT OFF OF GROSS CHARGES FOR THE PROVISION OF EMERGENCY AND OTHER MEDICALLY NECESSARY CARE PERMITTED TO ANY COMMERCIAL INSURER OR MEDICARE IS ONLY 6% AS A RESULT, THE HOSPITAL FACILITY WAS ABLE TO DETERMINE THAT THE MAXIMUM AMOUNT CHARGED TO INDIVIDUALS THAT WERE ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL FACILITY'S FINANCIAL ASSISTANCE POLICY WAS NOT GREATER THAN THE AMOUNT GENERALLY BILLED TO INDIVIDUALS WHO HAVE INSURANCE COVERING SUCH CARE
PART V, LINE 21		THE HOSPITAL DOES NOT CHARGE ANY INDIVIDUALS THAT ARE ELIGIBLE FOR FINANCIAL ASSISTANCE AN AMOUNT EQUAL TO THE GROSS CHARGES FOR ANY SERVICE THE HOSPITAL USED THE CHARGEMASTER RATES FOR A SERVICE AS A STARTING POINT AGAINST WHICH REDUCTIONS ARE APPLIED TO DETERMINE THE AMOUNT ACTUALLY BILLED TO PATIENTS ELIGIBLE UNDER THE FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI, QUESTION 2	MERCY MEDICAL CENTER GENERALLY EMPLOYS A MULTI-PRONGED APPROACH IN IDENTIFYING COMMUNITY HEALTH NEEDS THESE APPROACHES ARE AS FOLLOWS 1 ACCESSING EXISTING DATA SOURCES ON HEALTH CARE STATUS IN ITS PRIMARY SERVICE AREA (PSA) AS PREVIOUSLY REFERENCED, "BALTIMORE CITY'S HEALTH STATUS REPORT 2010" HAS HELPED PROVIDE THE HOSPITAL WITH KEY DATA ON THE MOST CRITICAL HEALTH CARE CONDITIONS AFFECTING THE PSA'S POPULATION THE CITY OF BALTIMORE ALSO PREPARES NEIGHBORHOOD HEALTH PROFILES EVERY 2-3 YEARS (E G IN 2008 AND 2011), WHICH PRESENT DEMOGRAPHIC, SOCIAL AND HEALTH OUTCOME INFORMATION AT THE COMMUNITY LEVEL IN BALTIMORE CITY THE COMMUNITY HEALTH NEEDS ASSESSMENT UNDERTAKEN BY MERCY MEDICAL CENTER DURING THE 2012 TAX YEAR TOOK INTO ACCOUNT DATA OBTAINED IN THE 2011 NEIGHBORHOOD HEALTH PROFILES PREPARED BY THE CITY OF BALTIMORE, IN PARTICULAR WITH RESPECT TO 18 COMMUNITY STATISTICAL AREAS THAT REPRESENT DOWNTOWN AND THE COMMUNITIES EAST, WEST AND SOUTH OF THE CITY CENTER IN ADDITION, THE ORGANIZATION ACCESSES AND REVIEWS OTHER STATE OF MARYLAND HEALTH CARE DATA BASES RELATED TO HEALTH CARE NEEDS OF COMMUNITIES THAT MERCY MEDICAL CENTER SERVES IN ITS PSA FURTHERMORE, MERCY MEDICAL CENTER REVIEWS PUBLICATIONS AND DATA AVAILABLE FROM ORGANIZATIONS IN WHICH MERCY MEDICAL CENTER PHYSICIAN AND ADMINISTRATIVE LEADERSHIP ARE ACTIVE PARTICIPANTS AND MEMBERS SUCH AS B'MORE FOR HEALTHY BABIES, JOURNEY HOME, FAMILY CRISIS CENTER OF BALTIMORE, AND BALTIMORE HOMELESS SERVICES, AMOUNG OTHERS 2 PARTNERSHIPS, WORKGROUPS, AND MEMBERSHIP IN ORGANIZATIONS THROUGH THE WORKGROUPS AND PARTNERSHIPS THAT HAVE BEEN ESTABLISHED WITH KEY ORGANIZATIONS SUCH AS HEALTH CARE FOR THE HOMELESS, BALTIMORE HOMELESS SERVICES, THE WEINBERG HOUSING AND RESOURCE CENTER, MAYOR'S OFFICE ON EMERGENCY MANAGEMENT, SEX AND FAMILY CRIMES DIVISION OF THE BALTIMORE CITY POLICE DEPARTMENT, TURN AROUND HOUSE OF RUTH, FAMILY CRISIS CENTER OF BALTIMORE, DOMESTIC VIOLENCE COORDINATING COUNCIL, B'MORE FOR HEALTHY BABIES AND FAMILY HEALTH CENTERS OF BALTIMORE, THE HOSPITAL RECEIVED SIGNIFICANT INPUT AND FEEDBACK ON THE HEALTH CARE NEEDS OF ITS IMMEDIATE SURROUNDING NEIGHBORHOODS AND COMMUNITIES THIS WAS ACHIEVED THROUGH REGULAR MEETINGS AND DISCUSSIONS THROUGHOUT FY11 THROUGH PARTICIPATION OF THE HOSPITAL'S EXECUTIVE LEADERSHIP TEAM IN BUSINESS FORUMS SUCH AS THE DOWNTOWN PARTNERSHIP AND MEMBERSHIP IN OTHER ORGANIZATIONS, SIGNIFICANT FEEDBACK AND INFORMATION ON HEALTH CARE NEEDS AND GAPS WAS ALSO GATHERED 3 MERCY HEALTH SERVICES MISSION AND CORPORATE ETHICS COMMITTEE OF THE BOARD OF TRUSTEES MEETS REGULARLY TO REVIEW AND COORDINATE ISSUES RELATED TO MISSION INTEGRATION AND COORDINATION THIS BOARD COMMITTEE IS INFORMED AND CLEARLY UNDERSTANDS THE SCOPE AND DEPTH OF THE HOSPITAL'S COMMUNITY BENEFIT AND INITIATIVES IN SUMMARY, THROUGH A QUANTITATIVE ASSESSMENT OF NEEDS BASED ON REVIEW OF CURRENT DATA SOURCES AND ACTIVE PARTICIPANTS IN SEVERAL COMMUNITY BASED ORGANIZATIONS, MERCY MEDICAL CENTER HAS BEEN ABLE TO DETERMINE AND PRIORITIZE ITS COMMUNITY HEALTH NEEDS FOCUS IN ADDITION TO THE FOREGOING APPROACHES REGULARLY FOLLOWED BY MERCY MEDICAL CENTER, MERCY MEDICAL CENTER CONDUCTED ITS FIRST COMMUNITY HEALTH NEEDS ASSESSMENT, IN COMPLIANCE WITH THE REQUIREMENTS SET FORTH UNDER INTERNAL REVENUE CODE SECTION 501(R)(3) AND THE GUIDANCE PROVIDED BY IRS NOTICE 2011-52, DURING ITS 2012 TAX YEAR MERCY MEDICAL CENTER WILL DIRECT ITS COMMUNITY HEALTH NEEDS PLANNING TOWARDS ADDRESSING THOSE COMMUNITY HEALTH NEEDS IDENTIFIED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT IN ACCORDANCE WITH ITS IMPLEMENTATION STRATEGY
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI, QUESTION 3	MERCY ATTEMPTS TO BE VERY PROACTIVE IN COMMUNICATING ITS FINANCIAL ASSISTANCE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS THE FINANCIAL ASSISTANCE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IS POSTED IN ALL ADMISSIONS AREAS, INCLUDING THE EMERGENCY ROOM SUCH NOTICE IS POSTED IN ENGLISH, SPANISH AND/OR OTHER LANGUAGE THAT WILL BE UNDERSTANDABLE TO TARGET POPULATIONS OF PATIENTS UTLIZING HOSPITAL SERVICES A COPY OF THE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IS PROVIDED TO PATIENTS OR THEIR FAMILIES DURING THE PRE-ADMISSION, PRE-SURGERY AND ADMISSIONS PROCESS ADDITIONALLY, A COPY OF THE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IS PROVIDED TO PATIENTS OR THEIR FAMILIES UPON DISCHARGE MERCY UTILIZES A THIRD PARTY, AS WELL AS IN-HOUSE FINANCIAL COUNSELING STAFF, TO CONTACT AND SUPPORT PATIENTS IN UNDERSTANDING AND COMPLETING THE FINANCIAL ASSISTANCE REQUIREMENTS THEY ALSO DISCUSS WITH PATIENTS OR THEIR FAMILIES THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS AND ASSIST PATIENTS WITH UNDERSTANDING THE QUALIFICATIONS FOR SUCH PROGRAMS EVEN AFTER A PATIENT IS DISCHARGED, EACH BILLING STATEMENT CONTAINS AN OVERVIEW OF MERCY'S FINANCIAL ASSISTANCE POLICY, A PATIENT'S RIGHTS AND OBLIGATIONS, AND CONTACT NUMBERS FOR FINANCIAL ASSISTANCE, FINANCIAL COUNSELING, AND MARYLAND MEDICAID FOLLOW-UP PHONE CALLS BY HOSPITAL BILLING/COLLECTION STAFF MADE TO PATIENTS WITH UNPAID BALANCES ALSO STRESS THE AVAILABILITY OF FINANCIAL ASSISTANCE AND CHARITY CARE AVAILABILITY MERCY MEDICAL CENTER WILL MAKE AND EFFORT TO PROVIDE THE FINANCIAL ASSISTANCE APPLICATION, POLICIES, PROCEDURES AND INFORMATION IN ENGLISH, SPANISH, AND/OR ANY OTHER LANGUAGE THAT WILL BE UNDERSTANDABLE TO TARGET POPULATIONS OF PATIENTS UTILIZING HOSPITAL SERVICES MERCY MEDICAL CENTER PROVIDES AND PROMOTES HEALTH SERVICES FOR THE PEOPLE OF BALTIMORE OF EVERY CREED, RACE, ECONOMIC, AND SOCIAL CONDITION IN THE SPIRIT OF THE SISTERS OF MERCY WHO ARE ITS SPONSORS, MERCY CONTINUES TO HAVE A SPECIAL COMMITMENT TO THE UNDERSERVED AND UNINSURED

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI, QUESTION 4	<p>LOCATED IN THE HEART OF DOWNTOWN BALTIMORE, MERCY MEDICAL CENTER DRAWS PATIENTS FROM THE GREATER BALTIMORE METROPOLITAN AREA FOR ITS LONGSTANDING TRADITION OF COMPASSIONATE CARE, COMMITMENT TO QUALIFY AND PATIENT SAFETY, AS WELL AS ITS PRIMARY CARE AND SPECIALIST PHYSICIANS. MERCY MEDICAL CENTER'S PRIMARY SERVICE AREA ("PSA") WHICH COMPRISES 17 ZIP CODES IN BALTIMORE CITY, ACCOUNTS FOR 60% OF ITS TOTAL ADMISSIONS. KEY DEMOGRAPHIC CHARACTERISTICS OF THE PSA ARE AS FOLLOWS: POPULATION 1. THE PSA 2010 POPULATION IS 616,802. 2. PSA POPULATION GROWTH IS PROJECTED TO REMAIN FLAT TO 2014. THIS IS IN CONTRAST TO A 3.1% PROJECTED GROWTH FOR THE STATE OF MARYLAND. 3. SINCE 1990, THE DISTRIBUTION OF BALTIMORE CITY RESIDENTS HAS SHIFTED TOWARDS OLDER AGE GROUPS WITH A 6% INCREASE IN THE 40 YEARS AND OLDER POPULATION. THIS TREND OF AN INCREASING OLDER POPULATION GROWTH IS EXPECTED THROUGH 2020. ETHNICITY AND AGE: 1. 64% BLACK, 30% CAUCASIAN. IN PSA. BALTIMORE CITY'S BLACK POPULATION HAS INCREASED BY 5% SINCE 1990. 2. APPROXIMATELY 62% OF PATIENTS SERVED BY MERCY MEDICAL CENTER ARE MEMBERS OF A RACIAL OR ETHNIC MINORITY, 65% ARE WOMEN AND 53% ARE MEDICAID AND/OR MEDICARE BENEFICIARIES. 3. 12% OF THE POPULATION IS 65 YEARS IN AGE OR OLDER. INCOME 1. PSA MEDIAN HOUSEHOLD INCOME \$39,113. 2. 40% OF BALTIMORE CITY HOUSEHOLDS REPORTED AN INCOME OF LESS THAN \$30,000. THIS IS ONLY 50% OF THE STATEWIDE MEDIAN INCOME OF \$70,017. 3. THREE TIMES AS MANY FAMILIES LIVING IN BALTIMORE CITY HAD INCOME THAT WAS BELOW THE POVERTY LEVEL COMPARED TO ALL FAMILIES IN MARYLAND. OF NOTE, THE MAJOR COMMUNITY BENEFIT PROGRAMS THAT ARE IDENTIFIED IN PART VI, QUESTION 5 "PROMOTION OF COMMUNITY HEALTH" DIRECTLY ADDRESS KEY HEALTH CARE NEEDS OF THE POPULATION IN MERCY MEDICAL CENTER'S PSA. KEY FINDINGS FROM THE "BALTIMORE CITY HEALTH STATUS REPORT 2010": BALTIMORE CITY VS STATE OF MARYLAND ON KEY HEALTH OUTCOME MEASURES: 1. OVERALL MORTALITY RATE. BALTIMORE IS 32% HIGHER. 2. LIFE EXPECTANCY. BALTIMORE IS 7% LOWER. 3. INFANT MORTALITY. BALTIMORE IS 64% HIGHER. 4. LOW BIRTH WEIGHT. BALTIMORE IS 68% HIGHER. AS SHOWN BY THESE SELECT INDICATORS, THERE IS A SIGNIFICANT HEALTH STATUS DISPARITY BETWEEN BALTIMORE CITY'S RESIDENTS AND THE REST OF THE STATE OF MARYLAND. DUE TO ITS LOCATION IN CENTER CITY, MERCY MEDICAL CENTER CARES FOR MANY OF THE AT-RISK, LOW INCOME POPULATION IN THE COMMUNITIES THAT IMMEDIATELY SURROUND THE HOSPITAL. THIS IS BEST EVIDENCED BY THE LARGE PERCENTAGE OF EMERGENCY ROOM VISITS BY THE MEDICAID, UNINSURED AND MEDICARE PATIENTS. MERCY MEDICAL CENTER'S COMMUNITY BENEFIT SERVICE AREA (CBSA) IS DEFINED BY 15 OF THE 17 ZIP CODES. THESE ZIP CODES WERE IDENTIFIED AND DETERMINED BASED ON EMERGENCY DEPARTMENT (ED) VISITS DURING FY11. KEY DEMOGRAPHIC CHARACTERISTICS OF THE CBSA ARE AS FOLLOWS: 1. THE CBSA POPULATION IS 487,000. 2. 53% FEMALE AND 47% MALE. 3. 71% BLACK OR AFRICAN AMERICAN, 24% WHITE, 5% ALL OTHER. 4. MEDIAN HOUSEHOLD INCOME \$37,395. 5. PERCENTAGE OF HOUSEHOLDS WITH INCOME BELOW FEDERAL POVERTY GUIDELINES: 15.2%. 6. ESTIMATE PERCENTAGE OF UNINSURED PEOPLE: 19%. 7. PERCENTAGE OF MEDICAID RECIPIENTS: 38%. MEDICAID COVERED AND UNINSURED PATIENTS ACCOUNTED FOR MORE THAN 66% OF THE FY12 EMERGENCY ROOM VISITS. THERE ARE A COUPLE NOTABLE REASONS FOR SUCH A HIGH MEDICAID AND UNINSURED PATIENT POPULATION VISITING THE EMERGENCY ROOM: 1. BALTIMORE CITY'S LARGEST HOMELESS SHELTER AT GUILFORD AVENUE IS WITHIN THREE BLOCKS OF THE HOSPITAL. 2. MERCY MEDICAL CENTER PROVIDES ALL OF THE MEDICAL STAFF (PHYSICIANS AND NURSING PERSONNEL) FOR HEALTHCARE FOR THE HOMELESS (HCH), A FEDERALLY QUALIFIED HEALTH CENTER, WHICH DELIVERS OUTPATIENT CARE TO A LARGE NUMBER OF HOMELESS PERSONS IN BALTIMORE CITY. THE HCH CLINIC IS LOCATED THREE BLOCKS FROM THE HOSPITAL.</p>
PROMOTION OF COMMUNITY HEALTH	PART VI, QUESTION 5	<p>MERCY SUPPORTIVE HOUSING PROGRAM. THE SUPPORTIVE HOUSING PROGRAM AT MERCY MEDICAL CENTER HAS A STAFF OF EIGHT EXPERIENCED HUMAN SERVICES PERSONNEL WHO WORK IN CONJUNCTION WITH OTHER HOMELESS AND HUMAN SERVICE PROVIDERS TO COORDINATE SERVICES FOR HOMELESS FAMILIES AND FAMILIES AT RISK FOR HOMELESSNESS. THE PROGRAM'S GOAL IS TO HOUSE HOMELESS FAMILIES AND TO PROVIDE SUPPORTIVE SERVICES FOR A DEFINED PERIOD TO PREVENT A RETURN TO HOMELESSNESS. IN FY 2011, THE SUPPORTIVE HOUSING PROGRAM AT MERCY PROVIDED A COMPREHENSIVE RANGE OF COUNSELING SERVICES AND COMMUNITY RESOURCES LINKAGES TO 157 CLIENTS. THESE SERVICES INCURRED DIRECT COSTS OF \$417,952 DURING FY 2013. MERCY FAMILY VIOLENCE RESPONSE PROGRAM. THE MERCY FAMILY VIOLENCE RESPONSE PROGRAM WAS DEVELOPED BY A MULTIDISCIPLINARY STAFF TASK FORCE AT MERCY MEDICAL CENTER TO PROVIDE CRISIS INTERVENTION AND SAFETY PLANNING FOR VICTIMS OF FAMILY VIOLENCE (DOMESTIC VIOLENCE, CHILD ABUSE, ELDER AND VULNERABLE ADULT ABUSE) AND SEXUAL ASSAULT WHO COME TO MERCY MEDICAL CENTER AND ITS PHYSICIANS FOR TREATMENT. THIS PROGRAM IMPROVES BALTIMORE'S COORDINATED COMMUNITY RESPONSE TO VICTIMS OF VIOLENCE, AND CREATES AN ALERT WORKFORCE AT MERCY MEDICAL CENTER, SKILLED AT IDENTIFYING AND RESPONDING TO VICTIMS OF FAMILY VIOLENCE. DUE TO ITS LOCATION WITHIN THREE BLOCKS OF THE CITY'S LARGEST HOMELESS SHELTER AT GUILFORD AVENUE AND CLOSE PROXIMITY TO HCH, MERCY MEDICAL CENTER'S ER RECEIVES MANY VISITS FROM HOMELESS PERSONS. WITH DECADES OF EXPERIENCE IN PROVIDING EMERGENT AND URGENT CARE TO POOR AND HOMELESS POPULATIONS, THE HOSPITAL HAS ESTABLISHED KEY SERVICES FOR THE MEDICALLY UNDERSERVED INCLUDING THE FOLLOWING: A FULL-TIME SOCIAL WORKER IS A PART OF THE ER TEAM TO COORDINATE CARE AND OTHER SERVICES FOR HOMELESS PATIENTS WHO ARRIVE AT THE ER. ER PHYSICIANS AND NURSES MAKE VISITS TO BALTIMORE CITY SHELTERS TO PROVIDE THE FOLLOWING SERVICES: 1. ADMINISTRATION OF FLU VACCINATIONS TO RESIDENTS. 2. PRESENTATIONS ON PARASITES AND INFECTIOUS DISEASE. 3. INFECTIOUS DISEASE PREVENTION. THE FORENSIC NURSE EXAMINER PROGRAM (FNE) IS HOUSED AT THE HOSPITAL'S ER AND PROVIDES 24/7 CARE TO PATIENTS WHO ARE VICTIMS OF SEXUAL, DOMESTIC, CHILD, ELDER AND INSTITUTIONAL VIOLENCE. FORENSIC NURSES PROVIDE COMPREHENSIVE FORENSIC MEDICAL INTERVIEWS, MEDICAL ASSESSMENTS, AND EVIDENCE COLLECTION, AND ASSURE CRISIS INTERVENTION TO AN EVER-INCREASING VOLUME OF UNDERSERVED PATIENTS. DURING FY 2012, THE FNE PROGRAM CONDUCTED 535 EXAMINATIONS AND IS THE DESIGNATED SITE FOR PATIENTS IN BALTIMORE CITY. LOW BIRTH WEIGHT PROGRAM - DEPARTMENT OF OBSTETRICS. MERCY MEDICAL CENTER DELIVERED MORE BABIES, 2,877, THAN ANY OTHER HOSPITAL IN BALTIMORE CITY IN FY 2012. OF THESE BABIES, 10.6% WERE OF LOW BIRTH WEIGHT AND 13.7% WERE PREMATURE. LOW BIRTH WEIGHT AND PREMATUREITY ARE INTERTWINED AND CORRELATED. AS CITED IN QUESTION #2, LOW BIRTH WEIGHT IS A KEY HEALTH STATUS INDICATOR THAT IS MEASURED AND TRACKED BY BALTIMORE CITY DEPARTMENT OF HEALTH THAT MUST BE DECREASED IN INCIDENCE. THE HOSPITAL HAS TAKEN A LEADERSHIP ROLE THROUGH ITS ACTIVE PARTICIPATION IN "B'MORE FOR HEALTHY BABIES", A LONG-TERM INITIATIVE LED BY THE MAYOR'S OFFICE AND MANAGED BY BALTIMORE CITY HEALTH DEPARTMENT TO REDUCE THE INCIDENTS OF LOW BIRTH WEIGHT. DR. ROBERT ATLAS, CHAIRMAN OF MERCY MEDICAL CENTER'S DEPARTMENT OF OBSTETRICS AND GYNCOLOGY, HAS A LEADERSHIP ROLE WITHIN THIS WORKGROUP. THE GOALS OF "B'MORE FOR HEALTHY BABIES" ARE REDUCTION IN THE FOLLOWING: 1. RATE OF PRE-TERM BIRTHS BY AT LEAST 10%. 2. RATE OF LOW BIRTH WEIGHT INFANTS BY AT LEAST 10%. 3. THE NUMBER OF DEATHS FROM UNSAFE SLEEP BY AT LEAST 10%. OF NOTE, 63% OF THE PATIENTS WHO DELIVERED BABIES AT MERCY MEDICAL CENTER WERE EITHER MEDICAID BENEFICIARIES OR UNINSURED/SELF-PAY. THIS POPULATION IS ESPECIALLY LINKED WITH LOW BIRTH RATE AND PREMATUREITY DUE TO POVERTY THAT CLOSELY RELATES TO UNHEALTHY LIFESTYLES, PARTICULARLY POOR NUTRITION AND INADEQUATE PRENATAL CARE. IN ORDER TO ENSURE 24/7 COVERAGE FOR ITS OBSTETRICAL PATIENTS, REGARDLESS OF THEIR ABILITY TO PAY, MERCY MEDICAL CENTER PROVIDED \$1,543,195 IN PHYSICIAN SUBSIDY FOR THIS SPECIALTY DETERMINING THE NEEDS IN THE COMMUNITY TO BE ADDRESSED SINCE THE INCEPTION OF THE COMMUNITY BENEFIT REPORTING TO HSCRC, MERCY MEDICAL CENTER HAS CONSISTENTLY RANKED AMONG THE TOP QUARTILE OF HOSPITALS IN THE STATE OF MARYLAND IN TERMS OF THE PERCENTAGE OF OPERATING EXPENSE DEVOTED TO COMMUNITY NEEDS PROGRAMS. ACCESS TO CARE FOR AT-RISK, UNDERSERVED POPULATIONS HAS LONG BEEN A CORNERSTONE MISSION FOR MERCY MEDICAL CENTER. MAJOR PROGRAMS TO SERVE THIS NEED INCLUDE OUR FUNDING OF DIRECT PHYSICIAN CHARITY CARE ACROSS ALL SPECIALTIES AND THE PHARMACY CHARITY FUND TO PATIENTS WHO ARE UNINSURED AND UNABLE TO PAY. IN ADDITION, THE FAMILY HEALTH CENTERS OF BALTIMORE (FCHB) IS A FEDERALLY QUALIFIED HEALTH CENTER (FQHC), WHICH RECEIVES SIGNIFICANT FINANCIAL SUPPORT FROM THE HOSPITAL. FCHB, WITH A CLINIC LOCATED ADJACENT TO THE MERCY CAMPUS, LARGELY SERVES THE MEDICAID AND UNINSURED POPULATIONS IN SURROUNDING COMMUNITIES. BASED UPON PRIOR NEEDS ASSESSMENTS, MERCY MEDICAL CENTER IDENTIFIED THREE KEY AREAS OF FOCUS FOR "MISSION-DRIVEN HEALTH SERVICES" IN FY 2012. THEY ARE AS FOLLOWS: HOMELESSNESS. THE NEED TO RESPOND TO AND ACTIVELY SUPPORT THE MEDICAL PROFESSIONAL NEEDS OF ORGANIZATIONS THAT SERVE THE HOMELESS POPULATION OF BALTIMORE. EMERGENCY SERVICES. AS PROVIDED THROUGH THE EMERGENCY DEPARTMENT, GIVEN THE LARGE PERCENTAGE OF POOR AND UNINSURED PATIENTS WHO ACCESS THIS SERVICE. LOW BIRTH WEIGHT. MERCY MEDICAL CENTER DELIVERS MORE BABIES TO WOMEN AT OR BELOW THE POVERTY LINE THAN ANY OTHER HOSPITAL IN BALTIMORE. A SIGNIFICANT PERCENTAGE (>10%) OF THESE BIRTHS ARE PREMATURE AND OF LOW BIRTH WEIGHT. ALL OF THESE PROGRAMS ARE INTERTWINED AS THEY SHARE A COMMON THREAD IN THAT ALL UNDERSERVED AND POOR POPULATIONS OF BALTIMORE ARE THE PRIMARY RECIPIENTS OF MEDICAL SERVICES PROVIDED BY MERCY MEDICAL CENTER ON AND OFF ITS CAMPUS. HOMELESSNESS. THE NUMBER OF PEOPLE EXPERIENCING HOMELESSNESS HAS GROWN STEADILY OVER THE PAST 20 YEARS IN BALTIMORE AND THROUGHOUT THE ENTIRE NATION. THIS NUMBER IS EXPECTED TO CONTINUE TO RISE GIVEN THE DETERIORATING ECONOMIC CONDITIONS LOCALLY AND NATIONALLY THAT CAUSE HIGH UNEMPLOYMENT, LOSS OF HOMES, REDUCED FEDERAL ASSISTANCE TO MEDICAID AND OTHER SAFETY NET PROGRAMS. BALTIMORE'S HOMELESS POPULATION EXTENDS GREATLY BEYOND THOSE WHO CAN FIND BEDS IN CITY AND OTHER NONPROFIT RUN SHELTERS. MERCY MEDICAL CENTER IS DIRECTLY INVOLVED IN THE PROVISION OF MEDICAL SERVICES TO THE HOMELESS POPULATION THROUGH THREE AREAS: HEALTH CARE FOR THE HOMELESS. HEALTH CARE FOR THE HOMELESS (HCH) WAS ESTABLISHED IN 1985 AND PROVIDES ADULT, PEDIATRIC, AND GERIATRIC MEDICAL CARE, DENTAL CARE, MENTAL HEALTH, HIV SERVICES, SOCIAL WORK AND CASE MANAGEMENT, ADDICTION TREATMENT, OUTREACH, PRISON RE-ENTRY, SUPPORTIVE HOUSING, AND ACCESS TO EDUCATION AND EMPLOYMENT. IN CALENDAR YEAR 2011, HCH HAD 17,203 ADULT VISITS AND 1,956 PEDIATRIC VISITS, A 15% AND 36% INCREASE FROM THE PRIOR YEAR, RESPECTIVELY. SINCE ITS INCEPTION IN 1985 (A 28-YEAR PARTNERSHIP), MERCY MEDICAL CENTER HAS DIRECTLY EMPLOYED AND PROVIDED ALL OF THE PHYSICIAN AND NURSING STAFF TO HCH FOR MEDICAL SERVICES. WHILE THE HOSPITAL IS REIMBURSED FOR THE DIRECT COSTS OF ITS EMPLOYED CLINICIANS BY HCH, INDIRECT AND OTHER NON-COMPENSATED COSTS CONTRIBUTED TO HCH WERE \$987,616 IN FY 2013. THE HOSPITAL EMPLOYS AND PROVIDES FOUR PRIMARY CARE PHYSICIANS, TWO NURSE PRACTITIONERS, ONE PHYSICIAN ASSISTANT, AND THREE REGISTERED NURSES TO WORK AT HCH. MERCY MEDICAL CENTER, THROUGH ITS SOLE MEMBER, MHS, IS GOVERNED BY A COMMUNITY BOARD COMPRISED OF CIVIC LEADERS WHO ARE COMMITTED TO AND REPRESENT THE HEALTHCARE NEEDS OF THE COMMUNITY. MERCY MEDICAL CENTER EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS FOR ALL OF ITS DEPARTMENTS. ALL FINANCIAL SURPLUSES MERCY MEDICAL CENTER GENERATES ARE USED EXCLUSIVELY TO FURTHER THE MISSION OF THE ORGANIZATION. COMMUNITY BOARD. COMPRISED OF CIVIC LEADERS WHO ARE COMMITTED TO AND REPRESENT THE HEALTHCARE NEEDS OF THE COMMUNITY.</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	PART VI, QUESTION 6	MERCY MEDICAL CENTER IS A PART OF AN AFFILIATED HEALTH CARE SYSTEM, WHICH INCLUDES A NUMBER OF ORGANIZATIONS THAT ARE UNDER THE COMMON GOVERNANCE OF MERCY HEALTH SERVICES. THESE AFFILIATED ORGANIZATIONS WORK TOGETHER TO PROVIDE A RANGE OF HEALTHCARE SERVICES TO THEIR COMMUNITIES. AMONG MERCY MEDICAL CENTER'S AFFILIATES ARE SAINT PAUL PLACE SPECIALISTS, INC (SPPS), MARYLAND FAMILY CARE, INC (MFC), AND STELLA MARIS (SM). SPPS PROVIDES SPECIALITY PHYSICIAN SERVICES TO PATIENTS OF MERCY MEDICAL CENTER'S INPATIENT SERVICES AND OUTPATIENT CLINICS AND TO OTHER MEMBERS OF THE COMMUNITY THROUGHOUT CENTRAL MARYLAND AND BEYOND. DURING THE 2012 TAX YEAR, SPPS PROVIDED \$1,752,123 OF CHARITY CARE TO PATIENTS SEEN BY SPPS PHYSICIANS. SM OWNS AND OPERATES A NURSING HOME, A RESIDENTIAL AND HOME HOSPICE SERVICE AND A HOME HEALTH AGENCY. DURING THE 2012 TAX YEAR, SM PROVIDED \$206,000 OF CHARITY CARE TO ITS PATIENTS. MFC PROVIDES PRIMARY CARE SERVICES ON THE CAMPUS OF MERCY MEDICAL CENTER, THROUGHOUT BALTIMORE CITY, AND IN ANNE ARUNDEL AND BALTIMORE COUNTIES. ADDITIONALLY, MFC EMPLOYS AN NUMBER OF PHYSICIANS TO SERVE AS HOSPITALISTS, WHO CARE FOR PATIENTS ADMITTED TO MERCY MEDICAL CENTER. ALSO, MFC EMPLOYS NURSE PRACTITIONERS THAT PROVIDE SERVICES TO UNINSURED PATIENTS IN MERCY'S NURSERY AND CHILDREN'S HEALTH OUTREACH PROGRAM. MFC INCURS SUBSTANTIAL COSTS PROVIDING THE COMMUNITY WITH THE HOSPITALIST AND NURSE PRACTITIONER PROGRAMS. DURING THE 2012 TAX YEAR, MFC INCURRED A NET OPERATING LOSS FROM PROVIDING THE HOSPITALIST PROGRAM OF \$372,000 AND FROM PROVIDING THE NURSE PRACTITIONER PROGRAM OF \$1,633,000. 13.4% OF THE PATIENTS SERVED BY THE HOSPITALIST AND NURSE PRACTITIONER PROGRAMS ARE UNINSURED. MFC HAS AN AFFILIATION AGREEMENT WITH THE FAMILY HEALTH CENTERS OF BALTIMORE, INC. PURSUANT TO WHICH MFC ARRANGES FOR PHYSICIAN STAFFING FOR FHCB'S DOWNTOWN CLINIC. FHCB IS A FEDERALLY QUALIFIED HEALTH CENTER. DURING THE 2012 TAX YEAR, MFC PROVIDED \$52,440 OF CHARITY CARE TO PATIENTS SEEN BY MFC PHYSICIANS. IN ADDITION TO THE FOREGOING, THE AFFILIATED HEALTH CARE SYSTEM PARTICIPATES IN A NUMBER OF PARTNERSHIP/WORK GROUPS, INCLUDING THE FOLLOWING: GROUP NAME: HEALTH CARE FOR THE HOMELESS PURPOSE AND MMC PARTICIPATION. HCH PROVIDES HEALTH-RELATED SERVICES TO REDUCE THE INCIDENCE AND BURDENS OF HOMELESSNESS. ITS HEADQUARTERS/CLINIC IS LOCATED THREE BLOCKS FROM MERCY. CATHERINE KELLY, DIRECTOR OF COMMUNITY OUTREACH AT MERCY, SERVES ON THE HCH BOARD OF DIRECTORS. GROUP NAME: BALTIMORE HOMELESS SERVICES PURPOSE AND MMC PARTICIPATION. A PROGRAM WITHIN THE MAYOR'S OFFICE OF HUMAN SERVICES RESPONSIBLE FOR MANAGING THE CONTINUUM OF CARE PROVIDED TO THE CITY'S HOMELESS POPULATION. MERCY SUPPORTIVE HOUSING PROGRAM PROVIDES HOUSING COUNSELING AND CASE MANAGEMENT FOR HOMELESS FAMILIES UNDER GRANT'S FROM THIS AGENCY. GROUP NAME: THE WEINBERG HOUSING AND RESOURCE CENTER PURPOSE AND MMC PARTICIPATION. BALTIMORE CITY'S FACILITY PROVIDING 24/7 EMERGENCY SHELTER BEDS AND 25 BEDS FOR THE MEDICALLY FRAGILE AS WELL AS PROGRAMS AND SERVICES FOR THE HOMELESS. MERCY EMPLOYEES ASSIST WITH THE PROGRAM. GROUP NAME: MAYOR'S OFFICE ON EMERGENCY MANAGEMENT PURPOSE AND MMC PARTICIPATION. MERCY SERVES ON THE EMERGENCY PREPAREDNESS TASK FORCE FOR BALTIMORE CITY. GROUP NAME: SEX AND FAMILY CRIMES DIVISION OF BALTIMORE CITY POLICE DEPARTMENT PURPOSE AND MMC PARTICIPATION. MERCY'S FORENSIC NURSE EXAMINER PROGRAM WORKS COLLABORATIVELY WITH THE BALTIMORE CITY POLICE DEPARTMENT. MERCY PROVIDES THE FORENSIC NURSE EXAMINER PROGRAM IN THE METROPOLITAN AREA. GROUP NAME: TURN AROUND, HOUSE OF RUTH PURPOSE AND MMC PARTICIPATION. MERCY'S FAMILY VIOLENCE RESPONSE PROGRAM WORKS WITH TURN AROUND, HOUSE OF RUTH AND OTHER ORGANIZATIONS. MERCY ALSO IS TAKING A LEADERSHIP ROLE IN ESTABLISHING HOSPITAL-BASED FAMILY VIOLENCE RESPONSE PROGRAMS AT OTHER MARYLAND HOSPITALS. GROUP NAME: FAMILY CRISIS CENTER OF BALTIMORE (FCCB) PURPOSE AND MMC PARTICIPATION. FCCB IS A MAJOR REFERRAL PARTNER TO MERCY FORENSIC NURSE EXAMINER AND SUPPORTIVE HOUSING PROGRAMS. GROUP NAME: DOMESTIC VIOLENCE COORDINATING COUNCIL PURPOSE AND MMC PARTICIPATION. COLLEEN MOORE, COORDINATOR OF MERCY'S FAMILY VIOLENCE RESPONSE PROGRAM, SERVES ON THE ORGANIZATION'S STEERING COMMITTEE. GROUP NAME: B'MORE FOR HEALTHY BABIES PURPOSE AND MMC PARTICIPATION. BHB IS A COALITION OF PHYSICIANS AMONG BALTIMORE CITY'S MAJOR HOSPITALS THAT ADDRESSES WAYS TO REDUCE INFANT MORTALITY, PREMATURITY AND LOW BIRTH WEIGHT. ROBERT ATLAS, M.D., CHAIRMAN OF THE DEPARTMENT OF OBSTETRICS AND GYNECOLOGY AT MERCY AND A RECOGNIZED EXPERT IN AT-RISK PREGNANCY IS A LEADER WITH BHB. GROUP NAME: FAMILY HEALTH CENTERS OF BALTIMORE (FCHB) PURPOSE AND MMC PARTICIPATION. SAMUEL MOSKOWITZ, MERCY'S EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER SERVES ON THE BOARD OF DIRECTORS OF FCHB, A FEDERALLY QUALIFIED HEALTH CENTER THAT SERVES CENTRAL AND SOUTH BALTIMORE CITY.

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

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

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

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

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

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
NON-FIXED PAYMENTS	SCH J LINE 7	The Compensation Committee approves non-fixed payments for management based on the degree of meeting corporate priorities established by the Board of Trustees. The corporate objectives are designed to advance the organization in the areas of quality care, patient safety, patient satisfaction, business development and financial strength.
CEO'S COMPENSATION	SCHEDULE J, LINES 1 - 3	THE ORGANIZATION RELIED ON A RELATED ORGANIZATION AND THAT RELATED ORGANIZATION USED THE FOLLOWING METHODS TO ESTABLISH THE TOP MANAGEMENT OFFICIAL COMPENSATION: 1) COMPENSATION COMMITTEE; 2) INDEPENDENT COMPENSATION CONSULTANT; 3) COMPENSATION SURVEY OR STUDY; 4) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE.
NONQUALIFIED RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B	The filing organization and a related organization maintained a nonqualified plan of deferred compensation for management and certain employees. The Plan was maintained for a significant number of years, during which time the participating individuals made numerous deferrals of their compensation into the Plan. The Plan only permitted deferrals to be made by such individuals (that is, no contributions were made by the organization). Due to changes in tax laws, the Plan was terminated and participating employees are being paid and taxed on distributions from the Plan. Schedule J reports the amounts distributed, which amounts were reflected as deferred compensation in prior tax years. The following individuals received distributions from the Plan during the tax year: Thomas Mullen \$925,000; Scott Spier \$240,250.
OTHER REPORTABLE COMPENSATION	SCHEDULE J, PART II, COLUMN B (III)	THE COMPENSATION COMMITTEE OF THE BOARD OF THE ORGANIZATION MAINTAINS A TENURE-BASED PLAN THAT VESTS AFTER 10 YEARS OF SERVICE AND THAT PAYS ELIGIBLE EXECUTIVES BETWEEN 10% AND 15% OF BASE PAY. THIS PLAN IS INTENDED TO SUPPLEMENT THE EXECUTIVE'S RETIREMENT BENEFITS GIVEN LAWS THAT RESTRICT THE ABILITY OF THE HOSPITAL TO PROVIDE TO EXECUTIVES, AND THE EXECUTIVES TO SAVE, TAX-QUALIFIED BENEFITS ON THE SAME TERMS AS NON-EXECUTIVE EMPLOYEES. THE COMPENSATION COMMITTEE ALSO MADE PAYMENTS DURING THE YEAR TO EXECUTIVES IN RESPECT OF SERVICES IN THE PRIOR THREE YEARS DURING THE PENDENCY OF CERTAIN SIGNIFICANT ORGANIZATIONAL INITIATIVES (E.G., BUILDING PROGRAMS, CAPITAL CAMPAIGNS, ETC.). THE COMMITTEE HAD INTENDED TO MAKE THESE PAYMENTS IF THE INITIATIVES WERE SUCCESSFUL, AND UPON SUCCESSFUL COMPLETION OF THESE INITIATIVES, THESE PAYMENTS WERE MADE AS WITH ALL EXECUTIVE COMPENSATION PROGRAMS (and as described in greater detail in Schedule O "Compensation Determination"). THE COMPENSATION COMMITTEE RECEIVED GUIDANCE FROM PROFESSIONAL COMPENSATION CONSULTANTS THAT THESE ARRANGEMENTS IN THEMSELVES, AND TOTAL COMPENSATION for executives participating in the arrangements, WERE reasonable and IN ACCORDANCE WITH MARKET NORMS.

Software ID:
Software Version:
EIN: 52-0591658
Name: Mercy Medical Center

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
THOMAS MULLEN	(i)	0	0	0	0	0	0	0
	(ii)	799,139	165,375	1,102,188	10,250	22,000	2,098,952	925,000
SAMUEL MOSKOWITZ	(i)	213,294	0	0	2,885	11,500	227,679	0
	(ii)	0	0	0	0	0	0	0
SCOTT SPIER md	(i)	390,947	54,796	298,960	10,250	21,000	775,953	240,250
	(ii)	0	0	0	0	0	0	0
JOHN TOPPER	(i)	0	0	0	0	0	0	0
	(ii)	400,591	56,000	60,000	10,250	20,400	547,241	0
SUSAN FINLAYSON	(i)	343,231	34,839	99,499	10,250	11,300	499,119	49,729
	(ii)	0	0	0	0	0	0	0
ROBERT EDWARDS	(i)	314,705	33,075	47,250	10,250	21,000	426,280	0
	(ii)	0	0	0	0	0	0	0
WILMA A S ROWE MD	(i)	546,323	212,101	0	7,500	14,643	780,567	0
	(ii)	0	0	0	0	0	0	0
MICHAEL SAMBAT MD	(i)	209,429	209,351	0	7,500	13,780	440,060	0
	(ii)	0	0	0	0	0	0	0
MICHAEL MULLANE	(i)	316,978	33,075	47,250	10,250	24,000	431,553	0
	(ii)	0	0	0	0	0	0	0
ALBERT HAN MD	(i)	183,345	194,351	0	7,500	9,191	394,387	0
	(ii)	0	0	0	0	0	0	0
DAVID BRIGHT MD	(i)	164,021	194,351	0	0	6,271	364,643	0
	(ii)	0	0	0	0	0	0	0
Judith Weiland	(i)	321,049	33,075	47,250	10,250	0	411,624	0
	(ii)	0	0	0	0	0	0	0

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization Mercy Medical Center	Employer identification number 52-0591658
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Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574217xx8	08-03-2006	35,000,000	2006 REPLACEMENT GARAGE		X		X		X
B	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574217I29	11-08-2007	154,956,168	2007 A REPLACEMENT TOWER		X		X		X
C	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	000000000	01-16-2013	50,210,000	2013 REFUND 2007D BONDS		X		X		X
D	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	5742174z5	12-16-2009	30,000,000	2009 PARTIAL CONVERSION 2008 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	2,315,000		5,245,000		0		2,430,000	
2	Amount of bonds legally defeased	0		0		0		0	
3	Total proceeds of issue	35,952,865		170,176,129		50,210,000		30,000,000	
4	Gross proceeds in reserve funds	0		12,520,000		0		0	
5	Capitalized interest from proceeds	1,492,333		18,613,677		0		0	
6	Proceeds in refunding escrows	0		8,812,500		0		0	
7	Issuance costs from proceeds	330,107		1,508,050		210,000		0	
8	Credit enhancement from proceeds	0		0		0		0	
9	Working capital expenditures from proceeds	0		0		0		0	
10	Capital expenditures from proceeds	34,130,425		128,742,923		0		0	
11	Other spent proceeds	0		0		50,000,000		30,000,000	
12	Other unspent proceeds	0		0		0		0	
13	Year of substantial completion	2008		2010		2010		2008	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X	X		X		X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X		X	
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0%		0%		0%		0%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0%		%		%		0%	
6	Total of lines 4 and 5	0%		%		%		0%	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X		X		X		X
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X	X		X	
b	Exception to rebate?	X			X	X		X	
c	No rebate due?	X		X			X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X	X			X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X			X		X
b	Name of provider	0		MERRILL LYNCH		0			
c	Term of hedge	30		30					
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X	X			X		X
b	Name of provider	0		GE FUNDING		0		0	
c	Term of GIC	4 25		4 25					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X		X	

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
TAX-EXEMPT BONDS I, BONDS A & B PART II LINE 3	0	THE AMOUNT IN PART II, LINE 3 "TOTAL PROCEEDS" IS NOT EQUAL TO THE AMOUNT IN PART I, COLUMN E "ISSUE PRICE" THE "TOTAL PROCEEDS" FOR THE BOND ISSUANCE INCLUDES INVESTMENT EARNINGS ON THE PROCEEDS
TAX-EXEMPT BONDS I, BOND D PART II LINE 7	0	THE ISSUANCE COSTS FOR THESE BOND ISSUANCES WERE NOT PAID OUT OF THE PROCEEDS FROM THE BOND ISSUANCES RATHER, THE ISSUANCE COSTS WERE PAID OUT OF REGULAR OPERATING FUNDS OF THE ORGANIZATION
TAX-EXEMPT BONDS I, BOND A PART IV LINE 2C	0	ARBITRAGE REBATE COMPUTATION WAS PERFORMED ON 9/27/2011
TAX-EXEMPT BONDS I, BOND B PART IV LINE 2C	0	ARBITRAGE REBATE COMPUTATION WAS PERFORMED ON 8/29/2012

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization Mercy Medical Center	Employer identification number 52-0591658
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Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	5742176k6	04-01-2010	30,000,000	2010 PARTIAL CONVERSION 2007 BONDS		X		X		X
B	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574218am5	02-11-2011	39,889,140	2011 BONDS REFUNDING 2007 B AND C		X		X		X
C	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	000000000	06-09-2011	34,890,000	2011 B BONDS REFUNDING 2007 B AND		X		X		X
D	MARYLAND HEALTH & HIGHER EDUCATIONAL FAC AUTHORITY	52-0936091	574218ez2	04-25-2012	51,737,448	2012 BONDS REFUNDING 2001 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,000,000		900,000		0		0	
2	Amount of bonds legally defeased	0		0		0		0	
3	Total proceeds of issue	30,000,000		39,889,140		34,890,000		51,737,448	
4	Gross proceeds in reserve funds	0		3,930,000		0		5,467,000	
5	Capitalized interest from proceeds	0		0		0		0	
6	Proceeds in refunding escrows	0		0		0		0	
7	Issuance costs from proceeds	0		789,808		0		851,860	
8	Credit enhancement from proceeds	0		0		0		0	
9	Working capital expenditures from proceeds	0		0		0		0	
10	Capital expenditures from proceeds	0		0		0		0	
11	Other spent proceeds	30,000,000		35,110,419		34,890,000		50,376,825	
12	Other unspent proceeds	0		0		0		0	
13	Year of substantial completion	2010		2010		2010		2003	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X		X		X		X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

		A		B		C		D	
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X		X		
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0%		0%		0%		0%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X		X		X		X
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			X

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X		X		X	
b	Exception to rebate?	X		X		X		X	
c	No rebate due?		X		X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X	X			X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		X
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		X
b	Name of provider	0		0		0		0	
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X		X	

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
PART II, BOND D	0	THE TOTAL PROCEEDS OF THE ISSUE ARE LESS THAN THE GROSS PROCEEDS IN RESERVE FUNDS AND OTHER SPENT PROCEEDS FOR THE BOND ISSUANCE BECAUSE FUNDS PLEDGED TO THE SERIES 2001 BONDS, WHICH WERE REFUNDED BY THIS BOND ISSUANCE, WERE TRANSFERRED (AS PART OF THE BOND ISSUANCE) INTO THE DEBT SERVICE RESERVE FUND HELD FOR THIS BOND ISSUANCE

SCHEDULE M
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

Part I

Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property	X	1	2,773,592	selling price
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► (_____)				
26 Other ► (_____)				
27 Other ► (_____)				
28 Other ► (_____)				

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

29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

30a

Yes

No

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

31

Yes

No

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

32a

Yes

No

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

Part II

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

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

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Name of the organization Mercy Medical Center	Employer identification number 52-0591658
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Identifier	Return Reference	Explanation
DESCRIPTION OF 990 REVIEW PROCESS	PART VI, LINE 11	Mercy Health Services, Inc ("MHS"), the sole parent of the Corporation, has a policy which requires the Corporation's 990 to be made available for review by the MHS Board and/or the MHS Board Executive Committee prior to its filing. At its March 2014 meeting, MHS Board Executive Committee members received a copy of the Corporation's draft form 990. The MHS CFO provided a power point presentation regarding the draft and there was an opportunity for questions and discussion. Following further revision of the draft 990 and prior to its filing, it was made available in final form to all members of the MHS Board and the Corporation's Board FOR THEIR REVIEW. ANY ADDITIONAL COMMENTS/QUESTIONS FROM BOARD MEMBERS ARE RESPONDED TO PRIOR TO FILING THE FORM 990.

Identifier	Return Reference	Explanation
CONFLICTS OF INTEREST MONITORING AND ENFORCEMENT	PART VI, LINE 12C	<p>MHS HAS A WRITTEN CONFLICT OF INTEREST POLICY THAT COVERS MHS AND ALL OF ITS DIRECT AND INDIRECT SUBSIDIARIES. THE INDIVIDUALS COVERED UNDER THE POLICY INCLUDE ALL TRUSTEES, DIRECTORS, OFFICERS (INCLUDING ALL SENIOR AND EXECUTIVE VICE PRESIDENTS) AND MEMBERS OF ANY COMMITTEE WITH BOARD-DELEGATED POWERS. UNDER THE POLICY, EACH SUCH PERSON IS REQUIRED TO COMPLETE AN ANNUAL DISCLOSURE FORM REGARDING BUSINESS RELATIONSHIPS THAT HE OR SHE, OR ANY FAMILY MEMBER, HAS WITH ANY OTHER ORGANIZATION THAT DOES BUSINESS WITH MHS OR ITS SUBSIDIARIES AND RELATIONSHIPS BETWEEN AND AMONG OFFICERS, TRUSTEES AND DIRECTORS. THE COMPLETED DISCLOSURE FORMS ARE REVIEWED BY THE MHS BOARD CHAIR AND BY THE MHS CEO OR A DESIGNEE. IN ADDITION TO THE ANNUAL DISCLOSURE, ANY PERSON WHO IS COVERED BY THE CONFLICT OF INTEREST POLICY HAS AN ONGOING OBLIGATION TO DISCLOSE THE EXISTENCE OF ANY ACTUAL OR POTENTIAL CONFLICT TO THE BOARD OR THE BOARD COMMITTEE IN WHICH THE MATTER ARISES. FOLLOWING THE DISCLOSURE, THE PERSON MAY MAKE A PRESENTATION, BUT MUST THEN LEAVE THE MEETING AND THE OTHER MEMBERS OF THE BOARD OR COMMITTEE SHALL DETERMINE WHETHER A CONFLICT EXISTS. UNDER THE POLICY, A CONFLICT OF INTEREST EXISTS WHEN AN INDIVIDUAL'S OWN PERSONAL INTEREST WOULD, OR MAY, INTERFERE WITH HIS OR HER IMPARTIALITY REGARDING THE MATTER. IF A CONFLICT EXISTS, THE PERSON MAY NOT BE PRESENT DURING DELIBERATIONS ON THE MATTER OR VOTE ON IT. THE BOARD OR COMMITTEE, AFTER CONDUCTING SUCH ADDITIONAL DUE DILIGENCE AS IT DETERMINES IS APPROPRIATE, SHALL MAKE A DECISION ON THE MATTER BASED UPON WHETHER THE PARTICULAR PROPOSAL IS FAIR, REASONABLE AND IN THE BEST INTEREST OF THE ORGANIZATION.</p>

Identifier	Return Reference	Explanation
PROCESS OF DETERMINING COMPENSATION	PART VI, LINE 15	<p>THE ORGANIZATION'S BOARD HAS ADOPTED A COMPENSATION POLICY (THE "POLICY") FOR COVERED INDIVIDUALS. PURSUANT TO THE POLICY, A COMPENSATION COMMITTEE OF INDEPENDENT DIRECTORS OF THE BOARD OF THE ORGANIZATION'S PARENT CORPORATION WAS ESTABLISHED TO REVIEW THE COMPENSATION OF ALL EMPLOYEES SPECIFIED AS HAVING A SUBSTANTIAL INFLUENCE OVER THE ORGANIZATION AND WHO RECEIVE REMUNERATION FROM THE ORGANIZATION. THE COMPENSATION COMMITTEE IS ADVISED BY AN INDEPENDENT COMPENSATION CONSULTANT, WHICH OPINES TO THE COMPENSATION COMMITTEE THAT THE LEVEL OF COMPENSATION PAID AND THE PROCESS BY WHICH COMPENSATION IS ESTABLISHED MEET APPLICABLE IRS REASONABLENESS AND "SAFE HARBOR" STANDARDS. THE OUTSIDE COMPENSATION CONSULTANT PROVIDES DATA OF COMPENSATION PROVIDED AT SIMILAR ORGANIZATIONS TO ENSURE THAT THE ORGANIZATION DOES NOT COMPENSATE IN EXCESS OF MARKET NORMS. Mercy Health Services, Inc. (the Corporation's sole member) has a written policy regarding the review of physician compensation titled "Amended and Restated Physician Compensation Review." The policy applies to all MHS subsidiaries, including the Corporation, and it sets out the process and procedures for ensuring that physician compensation is appropriately reviewed and determined to be consistent with fair market value. Under the policy the review and determination must be documented in writing. The policy addresses internal reviews through benchmarking of physician compensation against nationally recognized compensation survey data, the use of independent compensation consultants and review by the MHS Board Compensation Committee. The policy further requires that all compensation reviews be performed in accordance with the MHS Conflict of Interest Policy.</p>

Identifier	Return Reference	Explanation
DOCUMENT AVAILABILITY	PART VI, LINE 19	The governing documents of the organization, its conflicts of interest policy, and its financial statements are available from the organization upon request

Identifier	Return Reference	Explanation
AUDITS	PART XI, QUESTIONS 2 AND 3	MERCY HEALTH SYSTEM, INC AND ITS SUBSIDIARIES INCLUDING THE ORGANIZATION FILING THIS FORM 990, UNDERGO A CONSOLIDATED AUDIT OF THEIR FINANCIAL STATEMENT THAT COMPLIES WITH SINGLE AUDIT ACT/OMB CIRCULAR A-133 REQUIREMENTS DUE TO THE EXPENDITURE OF FEDERAL AWARDS THE ACCOUNTING FIRM OF COHEN, RUTHERFORD + KNIGHT P C HAS ISSUED AN UNQUALIFIED OPINION REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS IN CONFORMANCE WITH GENERALLY ACCEPTED AUDIT STANDARDS AND THE SINGLE AUDIT ACT/OMB CIRCULAR A-133 REQUIREMENTS FOR THE FISCAL YEAR THAT CORRESPONDS TO THE TAX REPORTING YEAR GOVERNED BY THIS FORM 990

Identifier	Return Reference	Explanation
PART VI, LINE 1B		Mercy Health Services, Inc ("MHS"), a 501(c)(3) corporation, is the sole member of Mercy Medical Center, Inc ("MMC") MHS is governed by a 27-person Board of Trustees, of whom 24 are independent board members. The Board of Directors of MMC is currently made of 6 directors. The President of MHS serves as an ex officio member of MMC's Board and the balance of the MMC Board members are elected by, and subject to removal by, the Board of Trustees of MHS. One of the members of the MFC Board is independent. Seven of the Board members are compensated as employees either of MFC or a related organization listed in Schedule R, Part II.

Identifier	Return Reference	Explanation
PART VI, LINE 6		MHS is the sole member of MMC

Identifier	Return Reference	Explanation
PART VI, LINE 7A		The President of MHS serves as an ex officio voting member of the Board of Directors of MMC. As the member of MMC, the Board of Trustees of MHS elects all of the other members of the Board of MMC. All of the members of the MMC Board serve at the pleasure of the Board of Trustees of MHS and are subject to removal by the MHS Board.

Identifier	Return Reference	Explanation
PART VI, LINE 7B		<p>The Board of Trustees of MHS exercises authority over MMC through its right to appoint and remove MMC Board members. In addition, MHS, as the member, is responsible for the following actions: a) to appoint members to MMC's Board of Directors, b) to review and approve or disapprove the strategic plan, annual budget and the annual operating goals and objectives of MMC as recommended to MHS by MMC's Board of Directors, c) to evaluate the performance of MMC's Board of Directors, officers, and operating management, d) to remove Board members of MMC in its discretion at any time, e) to approve the mission and vision that govern MMC's operations, f) to have ultimate responsibility for MMC's quality assurance, performance improvement, utilization review and risk management, and g) to appoint, reappoint and take any corrective action related to the Medical Staff of MMC (the "Medical Staff") in accordance with the Medical Staff Bylaws of MMC. The following actions require the approval of and affirmative corporate action by MHS: a) any disposition of all or substantially all of MMC's assets, dissolution, liquidation, winding up or abandonment of MMC, b) any amendment of the Articles of Incorporation or Bylaws of MMC or of the Medical Staff Bylaws of MMC, c) any borrowing or lending by MMC or the issuance of any guarantee by MMC in an amount in excess of an amount specified by MHS from time to time, d) any merger, consolidation or institutional affiliation with any other corporation or other entity, and e) the purchase or sale of assets for an amount in excess of an amount specified from time to time by MHS. Ultimately, the Corporation is controlled by MHS's 27-person community board, which includes 24 independent directors as noted above.</p>

Identifier	Return Reference	Explanation
OTHER CHANGES TO NET ASSETS	PART XI, LINE 5	CONTRIBUTIONS \$(7,681,390) NET ASSETS TRANSFER TO AFFILIATES (27,709,774) ROUNDING (1) ----- TOTAL \$(35,391,165)

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Medical Center

Employer identification number
52-0591658

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) MERCY HEALTH SERVICES INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-2173382	SUPPORT	MD	501(c)(3)	509(A)(3)	N/A		No
(2) MERCY HEALTH FOUNDATION INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-2173656	FOUNDATION	MD	501(c)(3)	170(B)(1)vi	MERCY HEALTH	Yes	
(3) SAINT PAUL PLACE SPECIALISTS INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-1495113	SPEC CARE	MD	501(c)(3)	170(B)1 iii	MERCY HEALTH	Yes	
(4) MARYLAND FAMILY CARE INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-2046586	PRIMARY CARE	MD	501(c)(3)	170(B)1 iii	MERCY HEALTH	Yes	
(5) STELLA MARIS INC 2300 DULANEY VALLEY TIMONIUM, MD 21093 52-1419602	NURSING FACLT	MD	501(c)(3)	509(A)(2)	MERCY HEALTH	Yes	
(6) MERCY TRANSITIONAL CARE SERVICES INC 301 ST PAUL PLACE BALTIMORE, MD 21202 52-1968440	SKILLED NURSE	MD	501(c)(3)	509(A)(2)	MMC	Yes	

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) Dispropportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) GREENLEAF INSURANCE CO LTD PO BOX 1363 GRAND CAYMAN, CAYMAN ISLANDS KY1-1108 CJ 52-0591658	INSURANCE	CJ	MERCY MEDICAL	LTD	10,519,000	63,487,208	100 000 %	Yes	
(2) Vascular Specialty Services Inc 341 N Calvert St Ste 200 Baltimore, MD 21202 52-1995474	medical pract	MD	mhs	c corp				Yes	

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

Yes

Yes

Yes

No

No

No

Yes

Yes

Yes

Yes

Yes

Yes

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

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

Schedule R (Form 990) 2012

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

[illegible]

Software ID:

Software Version:

EIN: 52-0591658

Name: Mercy Medical Center

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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--> Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
MERCY TRANSITIONAL CARE SERVICES	s	1,110,353	FMV
MERCY TRANSITIONAL CARE SERVICES	R	2,978,593	FMV
MERCY TRANSITIONAL CARE SERVICES	o	2,330,913	FMV
STELLA MARIS INC	o	207,468	FMV
STELLA MARIS INC	N	937,210	FMV
STELLA MARIS INC	s	621,294	FMV
STELLA MARIS INC	p	208,160	FMV
SAINT PAUL PLACE SPECIALISTS INC	R	5,604,997	FMV
SAINT PAUL PLACE SPECIALISTS INC	s	2,668,855	FMV
SAINT PAUL PLACE SPECIALISTS INC	N	76,864,573	FMV
SAINT PAUL PLACE SPECIALISTS INC	o	60,988,953	FMV
SAINT PAUL PLACE SPECIALISTS INC	h	101,085	FMV
SAINT PAUL PLACE SPECIALISTS INC	J	555,476	FMV
SAINT PAUL PLACE SPECIALISTS INC	Q	2,663,255	FMV
VASCULAR SERVICES	R	2,411,405	FMV
VASCULAR SERVICES	s	181,780	FMV
VASCULAR SERVICES	N	2,226,673	FMV
VASCULAR SERVICES	o	2,002,280	FMV
VASCULAR SERVICES	Q	204,792	FMV
MARYLAND FAMILY CARE	s	27,203,498	FMV
MARYLAND FAMILY CARE	o	21,971,921	FMV
MARYLAND FAMILY CARE	N	28,773,823	FMV
MARYLAND FAMILY CARE	h	352,331	FMV
MARYLAND FAMILY CARE	q	409,603	FMV
MARYLAND FAMILY CARE	J	185,021	FMV

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
MARYLAND FAMILY CARE	r	714,950	fmv
MERCY HEALTH FOUNDATION	s	1,149,676	FMV
MERCY HEALTH FOUNDATION	N	1,299,413	FMV
MERCY HEALTH FOUNDATION	o	947,197	FMV
Mercy Health Services	s	5,285,117	fmv
Mercy Health Services	n	9,353,740	fmv
Mercy Health Services	o	1,858,799	fmv
Mercy Health Services	r	1,157,262	fmv

**COHEN
RUTHERFORD
+ KNIGHT_{PC}**
Certified Public Accountants

++ ++ ++

**Audited Consolidated Financial
Statements and Other Financial
Information**

**Mercy Health Services, Inc. and
Subsidiaries**

June 30, 2013 and 2012

Audited Consolidated Financial Statements and Other Financial Information

Mercy Health Services, Inc. and Subsidiaries

June 30, 2013 and 2012

-Contents-

Audited Consolidated Financial Statements

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Report of Independent Auditor

The Board of Trustees
Mercy Health Services, Inc. and Subsidiaries
Baltimore, MD

We have audited the accompanying consolidated balance sheets of Mercy Health Services, Inc. and Subsidiaries 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mercy Health Services, Inc. and Subsidiaries as of June 30, 2013 and 2012, and the consolidated results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cohen, Rutherford + Knight, P.C.

October 10, 2013

Mercy Health Services, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)

	June 30,	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents and short-term investments	\$ 81,451	\$ 85,391
Current portion of funds held by trustee or authority -- <i>Note E</i>	12,049	11,128
Resident prepayment deposits	637	710
Patient accounts receivable, net -- <i>Note B</i>	43,660	35,683
Other amounts receivable, net	3,319	3,829
Current pledges receivable, net -- <i>Note C</i>	4,907	6,426
Inventory	7,527	7,352
Other current assets	4,548	5,192
TOTAL CURRENT ASSETS	158,098	155,712
PROPERTY AND EQUIPMENT, net -- <i>Note D</i>	548,626	554,769
INVESTMENTS AND OTHER ASSETS		
Funds held by trustee or authority, less current portion -- <i>Note E</i>	24,101	24,781
Board designated and donor restricted investments -- <i>Note F</i>	130,506	119,398
Restricted cash, cash equivalents and investments	62,048	48,691
Long-term investments	15,976	27,314
Long-term pledges receivable, net -- <i>Note C</i>	10,175	11,639
Investments in and advances to affiliates -- <i>Note G</i>	329	329
Reinsurance balances receivable or recoverable -- <i>Note I</i>	10,018	2,555
Other assets -- <i>Note H</i>	16,433	13,931
TOTAL ASSETS	\$ 976,311	\$ 959,118

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Balance Sheets - Continued
(Dollars in thousands)

	June 30,	
	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt -- <i>Note J</i>	\$ 8,597	\$ 8,468
Accounts payable and accrued expenses	75,915	74,784
Resident prepayment deposits	636	710
Construction retainage	2,042	1,802
Line of credit	8,000	0
TOTAL CURRENT LIABILITIES	95,190	85,764
Long-term debt -- <i>Note J</i>	441,523	448,900
Accrued interest	17	3,372
Provision for outstanding losses -- <i>Note I</i>	58,205	37,258
Post-retirement obligation -- <i>Note M</i>	5,575	7,509
Other long-term liabilities -- <i>Note W</i>	40,269	54,781
TOTAL LIABILITIES	640,779	637,584
NET ASSETS		
Unrestricted	303,625	287,987
Temporarily restricted -- <i>Note P</i>	29,729	31,369
Permanently restricted -- <i>Notes P and V</i>	2,178	2,178
TOTAL NET ASSETS	335,532	321,534
COMMITMENTS AND CONTINGENCIES -- Notes I, J, L, M, N, R and U		
TOTAL LIABILITIES AND NET ASSETS	\$ 976,311	\$ 959,118

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Operations
(Dollars in thousands)

	Year Ended June 30,	
	2013	2012
REVENUE		
Patient service revenue		
(net of allowances and discounts) -- <i>Notes B and S</i>	\$ 603,249	\$ 585,355
Provision for bad debts	(30,285)	(31,999)
Net patient service revenue	572,964	553,356
Other operating revenue	25,990	28,145
Net assets released from restriction used for operations	3,394	2,673
TOTAL REVENUE	602,348	584,174
EXPENSES -- <i>Note Q</i>		
Salaries and benefits	330,572	321,009
Medical and surgical supplies	54,336	49,990
Pharmacy supplies	32,848	33,125
Other expendable supplies	26,627	27,361
Professional fees	15,324	15,516
Insurance	25,397	12,218
Other purchased services	53,392	47,374
Interest expense	19,617	20,114
Repairs	10,976	10,112
Depreciation and amortization	37,545	36,726
TOTAL EXPENSES	606,633	573,544
OPERATING INCOME (LOSS)	(4,285)	10,630
OTHER INCOME (EXPENSE)		
Investment income -- <i>Note F</i>	4,010	228
Net unrealized gains (losses) on trading securities -- <i>Note F</i>	1,334	(2,073)
Gain (loss) on early extinguishment of debt	2,649	(1,290)
Unrealized gain (loss) on interest rate swaps	13,497	(19,551)
Equity in joint ventures -- <i>Note G</i>	546	571
Loss on asset disposal	(17)	0
Asset abandonment -- <i>Note X</i>	(7,826)	0
Other	(652)	54
NET OTHER INCOME (EXPENSE)	13,540	(22,061)
EXCESS OF REVENUE OVER EXPENSES		
(EXPENSES OVER REVENUE)	9,255	(11,431)
Changes to post retirement plans obligations -- <i>Notes M and N</i>	2,939	(1,680)
Net assets released from restrictions for the purchase of		
property and equipment	3,444	6,810
Reclassification of net assets	0	(300)
INCREASE (DECREASE) IN		
UNRESTRICTED NET ASSETS	\$ 15,638	\$ (6,600)

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Changes in Net Assets
(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, June 30, 2011	\$ 294,587	\$ 35,689	\$ 2,178	\$ 332,454
Excess of expenses over revenue	(11,431)	0	0	(11,431)
Net assets released from restrictions for the purchase of property and equipment	6,810	(6,810)	0	0
Restricted gifts, bequests, and contributions	0	4,790	0	4,790
Changes to post retirement plans obligations -- <i>Notes M and N</i>	(1,680)	0	0	(1,680)
Reclassification of net assets	(300)	374	0	74
Net assets released from restrictions used for operations	0	(2,673)	0	(2,673)
Change in net assets	(6,600)	(4,320)	0	(10,920)
Net assets, June 30, 2012	\$ 287,987	\$ 31,369	\$ 2,178	\$ 321,534
Excess of revenue over expenses	9,255	0	0	9,255
Net assets released from restrictions for the purchase of property and equipment	3,444	(3,444)	0	0
Restricted gifts, bequests, and contributions	0	5,198	0	5,198
Changes to post retirement plans obligations -- <i>Notes M and N</i>	2,939	0	0	2,939
Net assets released from restrictions used for operations	0	(3,394)	0	(3,394)
Change in net assets	15,638	(1,640)	0	13,998
Net assets, June 30, 2013	\$ 303,625	\$ 29,729	\$ 2,178	\$ 335,532

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended June 30,	
	2013	2012
OPERATING ACTIVITIES		
Change in net assets	\$ 13,998	\$ (10,920)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	37,545	36,726
Loss (gain) on interest rate swaps	(13,497)	19,551
Loss on asset disposal	17	0
Gain in equity of joint ventures	(546)	(571)
Realized and unrealized losses (gains) on board designated and donor restricted investments	(3,983)	3,072
Restricted gifts, bequests, contributions, and restricted investment income	(8,181)	(9,896)
Loss (gain) on early extinguishment of debt	(2,649)	1,290
Provision for bad debts	30,285	31,999
Decrease (increase) in:		
Patient accounts receivable, net	(38,262)	(31,448)
Other amounts receivable and investments in and advances to affiliates	(6,953)	(1,725)
Pledges receivable	2,984	5,106
Inventory	(175)	(433)
Other current assets	643	(1,418)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,223)	4,275
Provision for outstanding losses	20,947	4,671
Post-retirement obligation	(1,934)	690
Other long-term liabilities	(1,015)	1,206
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	27,001	52,174
INVESTING ACTIVITIES		
Net increase in short-term investments	(197)	(1,207)
Net purchases of property and equipment	(30,712)	(46,807)
Net increase in restricted cash, cash equivalents and investments	(13,357)	(7,472)
Net decrease (increase) in funds held by trustee or authority	(241)	1,043
Net increase in board designated and donor restricted investments	(7,126)	(27,171)
Net decrease in long term investments	11,338	21,420
Increase in other assets	1,379	(385)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(38,917)	(60,577)

(continued)

Mercy Health Services, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - Continued
(Dollars in thousands)

	Year Ended June 30,	
	2013	2012
FINANCING ACTIVITIES		
Proceeds from restricted gifts, bequests, contributions, and restricted investment income	\$ 8,181	\$ 9,896
Net borrowing under line of credit agreement	8,000	0
Debt retirement	(55,036)	(49,480)
Proceeds from issuance of long term debt	55,412	51,737
Repayment of long term debt	(8,347)	(5,457)
Deferred financing cost	(431)	(867)
NET CASH AND CASH EQUIVALENTS PROVIDED BY FINANCING ACTIVITIES	7,779	5,829
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,137)	(2,574)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	82,930	85,503
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 78,793	\$ 82,930

See notes to the consolidated financial statements

Mercy Health Services, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies

Organization, Basis of Presentation and Principles of Consolidation

Mercy Health Services, Inc. (MHS) was formed for the purpose of supporting, benefiting, or carrying out some or all of the purposes of Mercy Medical Center, Inc. (Medical Center or MMC), Stella Maris, Inc. (SMI), the physician practice groups comprising the Physician Enterprise (as further described below) and Mercy Health Foundation (MHF). MHS is the sole member of the Medical Center, SMI, the Physician Enterprise and MHF. MHS prepares its consolidated financial statements on the accrual basis of accounting. The accompanying consolidated financial statements include MMC, SMI, the Physician Enterprise and MHF. All material intercompany balances and transactions have been eliminated.

1. Mercy Medical Center, Inc.

The Medical Center, a subsidiary of MHS, provides inpatient, outpatient, and emergency care services primarily for the citizens of the Baltimore metropolitan area. In addition, the following entities are wholly owned subsidiaries of the Medical Center:

<u>Name of Subsidiary</u>	<u>Tax Status</u>
Mercy Transitional Care Services, Inc (MTC) <i>Provider of subacute services</i>	Tax exempt
Greenleaf Insurance Company, Ltd. (GIC) <i>Provider of self-insured general and malpractice coverage to MHS</i>	Foreign subsidiary

2. Stella Maris, Inc.

SMI, a subsidiary of MHS, is the sole member of the Stella Maris Operating Corporation, as well as the Cardinal Sheehan Center, Incorporated (CSC). SMI provides sub-acute, hospice, long-term care and adult day care to patients in the central Maryland service area, within its 412-bed long-term care facility.

CSC is engaged in maintaining and providing care and housing of aged and infirmed persons. CSC owns St Elizabeth Hall, a 200-unit apartment complex for the elderly.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

3. Physician Enterprise

The Physician Enterprise includes Maryland Family Care, Inc. (MFC), St. Paul Place Specialists, Inc. (SPPS), and Maryland Specialty Services, LLC (MSS). MSS is the sole member of Lutherville Hematology and Oncology, LLC and is the sole stockholder of Vascular Specialty Services, Inc. These entities provide primary care and specialty services within the Baltimore area. MFC, SPPS and MSS are wholly owned/controlled subsidiaries of MHS.

4. Mercy Health Foundation, Inc.

MHF, a subsidiary of MHS, was formed to coordinate and strengthen the fundraising function on behalf of MHS.

Income Taxes

MHS, MMC, SMI, MFC, SPPS, MHF, and MSS are not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to federal income tax under current income tax regulations. MHS subsidiaries otherwise exempt from federal and state taxation are nonetheless subject to taxation at corporate tax rates at both the federal and state level on their unrelated business income.

Current accounting standards define the threshold for recognizing uncertain income tax return positions in the financial statements as “more likely than not” that the position is sustainable, based on its technical merits, and also provide guidance on the measurement, classification and disclosure of tax return positions in the financial statements. Management believes there is no impact on MHS’ accompanying consolidated financial statements related to uncertain income tax positions.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets

Unrestricted net assets represent contributions, gifts, and grants which have no donor-imposed restrictions or which arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by satisfying a specific purpose and/or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes (see *Notes P and V*).

Cash Equivalents and Short-Term Investments

MHS and certain of its subsidiaries invest in money market funds and U.S. Treasury Bills, which are highly liquid and have an original maturity of ninety days or less. These financial instruments are considered cash and cash equivalents and are recorded at cost, which approximates fair value. Short-term investments are highly liquid assets that have an original maturity between three months and one year.

Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents and investments represent funds required for interest rate swap collateral, funds that have been set aside to cover a portion of GIC's estimated outstanding claims, and donor restricted funds from permanently and temporarily restricted net assets. Collateral posting requirements for interest rate swaps are based on credit ratings and the net liability position of the interest rate swap agreements outstanding. At June 30, 2013, restricted cash, cash equivalents and investments of \$1,035 was set aside for interest rate swap collateral and \$61,013 was set aside to cover estimated outstanding claims and donor restricted funds. At June 30, 2012, restricted cash, cash equivalents and investments of \$13,951 was set aside for interest rate swap collateral and \$34,740 was set aside to cover estimated outstanding claims and donor restricted funds.

Investments

Investments include marketable equity securities with readily determinable fair values based on quoted market prices. Unrestricted investment income or losses are reported in the consolidated statements of operations as part of excess of revenues over expenses unless the income is restricted by donor or law. Investments received by gift or bequest are reported at fair value at the date of the donation. Investment income and changes in the fair value of temporarily restricted and permanently restricted investments are recorded as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets in accordance with the terms of the donor's original gift or bequest.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Investments - Continued

Investments also include investments in limited partnerships and other alternative investments, which are made in accordance with the investment policies of MHS and are monitored through quarterly performance reviews. The limited partnerships acquire, hold, invest, manage, dispose of, and otherwise deal in and with securities of all kinds and descriptions. Publicly traded securities are valued using generally accepted pricing services selected by the fund managers of the limited partnerships. Securities not valued by such pricing services will be valued upon bid quotations obtained from independent dealers in the securities. In the absence of any independent quotations, securities will be valued by the fund managers on the basis of data obtained from the best available sources.

Although the various fund managers use their best judgment at estimating the fair value of the alternative investments, there are inherent limitations in any valuation technique. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of the fair value could be material (see *Note K*).

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of operations as net assets released from restrictions.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Deferred Financing Costs

Costs incurred in obtaining and issuing the Maryland Health and Higher Educational Facilities Authority bonds have been capitalized. These expenses are being amortized over the term of the bonds using the straight-line method. Accumulated amortization amounted to \$2,273 and \$2,125 at June 30, 2013 and 2012, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies – Continued

Net Patient Service Revenue and Allowances

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. MMC charges are based on rates established by the State of Maryland Health Services Cost Review Commission; accordingly, revenue reflects actual charges to patients based on rates in effect during the period in which the services are rendered (see *Note S*). SMI and Physician Enterprise are paid for services based on negotiated contracts with commercial payers and fee schedules with Medicare and Medicaid.

Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payers, and are accrued in the period in which the related services are rendered.

The provision for bad debts is based upon management's assessment of historical and expected net collections. This estimate considers business and general economic conditions, trends in healthcare coverage and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon its review of accounts receivable and collections to date. Other factors, such as payer mix, account aging, approved discounts, denial rates, and payment cycles are considered when estimating the allowances. The results of these assessments are used to determine the provision for bad debts and to estimate an appropriate allowance for uncollectible accounts. MHS follows established guidelines for placing its self-pay patient accounts with an outside collection agency. After collection efforts are exhausted, the uncollected balances are returned to the appropriate MHS entities to be written off to bad debts. MHS does not maintain a material allowance for uncollectible accounts from third-party payers, nor did it have significant write offs from third-party payers.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Net Patient Service Revenue and Allowances - Continued

Medicare reimburses MTC and SMI under a prospective payment system (PPS) for skilled nursing facility services, under which facilities are paid a fixed fee for virtually all covered services. Under PPS, each patient's clinical status is evaluated and placed into a payment category. The patient's payment category dictates the amount that the provider will receive to care for the patient on a daily basis. The per diem rate covers (i) all routine inpatient costs currently paid under Medicare Part A; (ii) certain ancillary and other items and services previously covered separately under Medicare Part B on a "pass-through" basis; and (iii) certain capital costs.

The composition of patient service revenue (net of contractual allowances and discounts) as of June 30 is as follows:

	2013	2012
Federal programs (Medicare/Medicaid)	\$ 297,894	\$ 290,218
Other third party payers	280,737	271,639
Self pay	24,618	23,498
	<u>\$ 603,249</u>	<u>\$ 585,355</u>

Charity Care

The Medical Center provides medically necessary services without charge, or at amounts less than its established rates, to patients who qualify for charity care under its financial assistance policy. Because the Medical Center does not pursue collection of those amounts determined to qualify as charity care, they are not reported as a component of net patient service revenue or patient accounts receivable (see *Note B*).

The criteria for qualifying for charity care applied by the Medical Center include family income, net assets, and the size of the patient's bill relative to the patient's ability to pay. Discounts are provided to patients who are unable to pay based on a sliding scale that is applied for family incomes up to approximately 400% above the U.S. Department of Health and Human Services (HHS) Poverty Guidelines. Free care is provided to patients with family incomes up to approximately 200% above the HHS Poverty Guidelines.

Charity care will be provided to patients who qualify under the Medical Center's financial assistance policy at any time. Once the Medical Center determines that the patient qualifies for charity care, the Medical Center makes no further attempt to collect on the amount qualifying for charity care.

Certain other controlled subsidiaries of MHS also provide services without charge, or at amounts less than their established rates, to patients who qualify for charity care under their respective financial assistance policies.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Impairment of Long-Lived Assets

MHS accounts for long-lived assets in accordance with the FASB's guidance on accounting for impairment or disposal of long-lived assets. Such guidance requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no asset impairment existed at June 30, 2013 and 2012.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of the donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which is forty years for buildings and the parking center and ranges from three to ten years for machinery and equipment.

The cost of software is capitalized provided the cost of the project is at least \$5 and the expected life is at least 3 years. Costs include payment to vendors for the purchase and assistance in its installation, payroll costs of employees directly involved in the software installation, and interest costs of the software project if financed by debt. Preliminary costs to document system requirements, vendor selection, and any costs before software purchase are expensed. Capitalization of costs will generally end when the project is completed and the software is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project will be capitalized. Costs incurred to maintain the system are expensed.

Resident Prepayment Deposits

SMI's private pay residents are required to make a non-interest bearing prepayment of two months' room and board at the time of admission. At the time of discharge or acceptance by Medical Assistance or similar government assistance programs, any prepayment remaining after application to the resident's outstanding bill will be refunded. At June 30, 2013 and 2012, resident prepayment deposits of approximately \$637 and \$710, respectively, were invested in short-term investments.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Derivative Instruments

Current accounting standards require that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. MHS has entered into interest rate swap agreements to manage its interest rate risk (see *Notes J and K*). The interest rate swaps do not qualify for hedge accounting under current accounting standards; therefore, management accounts for the derivative instruments as speculative derivative instruments with the change in the fair value reflected in the accompanying consolidated statements of operations as a component of other non-operating income. Net settlement payments are reported as a component of interest cost, with the exception of the payments associated with construction activities that are capitalized. Entering into interest rate swap agreements involves to varying degrees elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the consolidated balance sheets. Such risks involve the possibility that there will be no liquid market for these agreements, the counterparty to these agreements may default on its obligation to perform, and there may be unfavorable changes in interest rates.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Excess of Revenue Over Expenses (Expenses over Revenue)

The consolidated statements of operations include excess of revenue over expenses (expenses over revenue). Changes in unrestricted net assets which are excluded from excess of revenue over expenses (expenses over revenue), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Activities that result in gains or losses unrelated to the primary operations of MHS are considered to be nonoperating.

Note B – Patient Accounts Receivable, Allowances, and Charity Care

Patient accounts receivable consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Gross patient accounts receivable	\$ 150,537	\$ 139,944
Less:		
Allowance for doubtful accounts and contractual adjustments	(75,705)	(71,462)
Third party advances	(31,172)	(32,799)
	<u>\$ 43,660</u>	<u>\$ 35,683</u>

Approximately 30% and 32% of gross patient accounts receivable were due from Medicare and Medicaid at both June 30, 2013 and 2012, respectively.

The net cost of charity care provided by MHS totaled \$19,365 and \$17,148 for the years ended June 30, 2013 and 2012, respectively. The cost of charity care was calculated by applying the cost-to-charge ratio to the total amount of charges foregone for each of the controlled subsidiaries of MHS that provide charity care. The net cost of charity care was determined net of any patient-related revenue due to sliding scale payments or other patient-specific sources, and includes both direct and indirect cost of rendering care. The net cost of charity care is not net of the uncompensated care fund net receipts (see *Note S*).

Additionally, MHS and certain of its controlled subsidiaries provide structured repayment plans to patients without collateral.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note C - Pledges Receivable, Net

At June 30, 2013, pledges receivable were \$16,530 less an allowance for uncollectible pledges of \$529 and a discount of \$919. The expected payment of the pledges receivable less the uncollectible pledges at June 30, 2013 are as follows:

2014	\$	4,907
2015		3,096
2016		2,312
2017		4,300
2018		55
Thereafter		412
		<u>15,082</u>
Less current portion		4,907
Long-term portion	\$	<u><u>10,175</u></u>

Note D - Property and Equipment

Property and equipment, at cost, consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 555,096	\$ 530,806
Machinery and equipment	222,073	204,952
Parking center	41,221	41,221
Construction-in-progress	28,538	40,575
Land	<u>11,181</u>	<u>10,772</u>
	858,109	828,326
Accumulated depreciation	<u>(309,483)</u>	<u>(273,557)</u>
	<u><u>\$ 548,626</u></u>	<u><u>\$ 554,769</u></u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note E - Funds Held by Trustee or Authority

Funds held by trustee or authority, which consist primarily of cash and government obligations (at fair value), are limited as to use as follows at June 30:

	<u>2013</u>	<u>2012</u>
Debt service reserve	\$ 22,817	\$ 22,991
Debt service fund	12,049	11,128
Reserve for replacements and residual receipts	<u>1,284</u>	<u>1,790</u>
	36,150	35,909
Less current portion	<u>12,049</u>	<u>11,128</u>
Long-term portion	<u>\$ 24,101</u>	<u>\$ 24,781</u>

Note F - Board Designated and Donor Restricted Investments

Board designated investments are set aside by the board of trustees for costs relating to replacement or improvement of existing assets, or to cover the cost of services rendered as charity care and other programs. All board designated investments are unrestricted, as the board at its discretion may undesignate the use of such funds. Donor restricted investments have been limited by donors to a specific purpose.

Board designated and donor restricted investments consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Equity	\$ 57,540	\$ 48,918
Fixed maturity	34,715	49,538
Cash	31,217	18,578
Alternatives	<u>7,034</u>	<u>2,364</u>
	<u>\$ 130,506</u>	<u>\$ 119,398</u>

Each of the alternative investments owned by MHS represents less than one-half of one percent of each respective alternative investment fund as of June 30, 2013 and 2012.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note F - Board Designated and Donor Restricted Investments - Continued

The investments above have been allocated, by source, as follows at June 30:

	<u>2013</u>	<u>2012</u>
Board designated	\$ 115,860	\$ 106,095
Donor restricted (temporary)	<u>14,646</u>	<u>13,303</u>
	<u>\$ 130,506</u>	<u>\$ 119,398</u>

Permanently restricted donor investments at June 30, 2013 and 2012 of \$2,178 are reported as restricted cash

Earnings on investments are as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Interest and dividends	\$ 1,361	\$ 1,227
Net realized gains (losses)	2,649	(999)
Unrealized gains (losses) on trading securities	<u>1,334</u>	<u>(2,073)</u>
	<u>\$ 5,344</u>	<u>\$ (1,845)</u>

Note G - Investments In and Advances to Affiliates

Investments in and advances to affiliates include a joint venture in which the Medical Center has an ownership interest of 50%. Investments in which the ownership interest is less than 20% are carried at cost, and investments in which the ownership interest is at least 20% and less than 51% are generally carried on the equity method.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note G - Investments In and Advances to Affiliates - Continued

MHS has investments totaling \$329 at June 30, 2013 and 2012, in the following joint ventures

Joint venture	Business purpose	Percentage of ownership		Investment	
		2013	2012	2013	2012
Premier Purchasing Partners, Inc	Capital balance in group purchasing organization	n/a	n/a	\$ 329	\$ 329
Mercy Ridge, Inc	Continuing care retirement community	50%	50%	0	0
				<u>\$ 329</u>	<u>\$ 329</u>

MHS recorded non-operating income of \$546 and \$571 related to the operations of the investments in joint ventures for the years ended June 30, 2013 and 2012, respectively. MHS receives rebates from Premier Purchasing Partners, Inc. which are netted with associated supplies expense.

Note H - Other Assets

Other assets consist of the following at June 30

	2013	2012
Amortizable assets, net	\$ 8,926	\$ 6,251
Deferred compensation plan assets (see <i>Note L</i>)	5,738	6,225
Health insurance prepayment	944	810
Other investments	657	599
Notes receivable	168	46
	<u>\$ 16,433</u>	<u>\$ 13,931</u>

Note I - Reinsurance Receivable/Recoverable and Provision for Outstanding Losses

GIC management based the provision for losses at June 30, 2013 on a report dated July 2013 prepared by GIC's independent actuaries, Complete Actuarial Solutions Co. of Bethesda, Maryland. In their report, the actuaries estimate outstanding losses at an expected confidence level, on an undiscounted basis, to be \$47,126 and \$33,488 net of reinsurance as of June 30, 2013 and 2012, respectively. As of June 30, 2013 and 2012, GIC's provision for outstanding losses was \$58,205 and \$37,258, respectively, and the reinsurance receivable for such losses was \$10,018 and \$2,555 respectively, after factoring in actual losses paid to June 30th. The estimates provided by the actuaries are based on the historical data of the program blended together with relevant insurance industry loss development statistics

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

**Note I - Reinsurance Receivable/Recoverable and
Provision for Outstanding Losses - Continued**

In the opinion of the GIC management, the provision for outstanding losses relating to losses reported and losses incurred but not reported at the consolidated balance sheet dates is adequate to cover the expected ultimate liability of GIC. However, due to the nature of the insurance risks assumed, these provisions are necessarily estimates, and could vary from the amounts ultimately paid.

Consistent with most companies with similar insurance operations, GIC's provision for outstanding losses is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e., within one year) and that the effect of such changes could be material to the consolidated financial statements.

GIC's estimated provision for outstanding losses exceeds GIC's retention limits by \$10,018 and \$2,555 for the years ended June 30, 2013 and 2012, respectively. These losses are reinsured with reinsurers as described in *Note R*, Self Insurance Program section, and accordingly are recorded as reinsurance balances recoverable in the consolidated balance sheets.

In the event that GIC's reinsurers are unable to meet their obligations under the reinsurance agreements, GIC would still be liable to pay all losses under the insurance policies it issues, but would only receive reimbursement to the extent the reinsurers could meet their above mentioned obligations. GIC considers that all amounts included in reinsurance balances receivable and recoverable in the accompanying consolidated balance sheets will be collected in full from the reinsurers.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J-Long - Term Debt

Long-term debt consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series A 2007, interest rate ranging from 4% to 5.50%, due July 1, 2042	\$ 149,755	\$ 151,120
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2013, interest rate ranging from 2.50%, due July 1, 2042	50,210	0
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2012, interest rate ranging from 4% to 5%, due July 1, 2031	49,995	49,995
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2011, interest rate ranging from 3.00% to 6.25%, due July 1, 2031	39,870	40,770
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2011B, variable interest rate (1.62% and 1.65% at June 30, 2013 and 2012, respectively), due July 1, 2037	34,890	34,890
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2006; interest rate 5.69%; due July 1, 2036	32,685	33,315
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2007 B and C (converted), interest rate 3.87%; due July 1, 2024	29,000	30,000
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 2008 (converted); interest rate 3.99%, due July 1, 2022	27,570	29,825
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series 1996, interest rate ranging from 4.55% to 6.50%, due July 1, 2026	19,195	20,135
MHIHEFA Revenue Bonds, Stella Mars Issue, Series 1997; variable interest rate (0.11% and 0.18% at June 30, 2013 and 2012, respectively), due 2021	12,200	13,255
HUD mortgage loan, interest rate 2.64%, due 2046	5,160	4,459
MHIHEFA Revenue Bonds, Mercy Medical Center Issue, Series D 2007, variable interest rate (0.18% at June 30, 2012), due July 1, 2042	0	50,000
Other	169	197
Total long-term debt	450,699	457,961
Less:		
Net unamortized discount	579	593
Current portion	8,597	8,468
Long-term portion	\$ 441,523	\$ 448,900

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt - Continued

Principal payments on long-term debt are as follows for the years ended June 30:

2014	\$	8,597
2015		9,062
2016		9,247
2017		9,610
2018		10,003
Thereafter		<u>404,180</u>
	\$	<u><u>450,699</u></u>

Pursuant to an amended and restated Master Loan Agreement, as supplemented (the “Loan Agreement”), the Obligated Group members have issued debt through Maryland Health and Higher Educational Facilities Authority (“MHHEFA”). Currently the Medical Center, MHS and MHF comprise the Obligated Group. Each Obligated Group member is jointly and severally liable for the repayments under the obligations of the loan agreement. As security for the performance of the obligations of the Obligated Group members under the Loan Agreement, the Obligated Group members have granted to MHHEFA a security interest in their receipts, subject to certain permitted encumbrances. In addition, the Medical Center has mortgaged to MHHEFA certain real and personal property of the Medical Center under a Mortgage from the Medical Center to MHHEFA, as amended and supplemented. The Loan Agreement contains certain restrictive, financial and nonfinancial covenants. Under the terms of the Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the trustee or MHHEFA to provide for repayment of the obligations of the Obligated Group (see *Note E*).

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt - Continued

Mercy Medical Center Issue, Series 2007 (A, B, C, and D) Bonds and Series 2007 B, C (Converted)

In October 2007, MHHEFA authorized the issuance, sale and delivery of its \$305,000 Revenue Bonds, Mercy Medical Center Issue, Series 2007 (A, B, C and D). The proceeds were loaned by MHHEFA to MMC to finance the construction of a new replacement hospital facility. The proceeds were also used to refinance the MHHEFA Pooled Loan Revenue Bond.

On April 1, 2010, \$30,000 of the Revenue Bonds Series 2007 B and C was converted to Bank Qualified Revenue Bonds held by a commercial bank. The 2007 B and C (converted) Bonds refinanced \$18,080 of the \$50,000 2007 Series B and \$11,920 of the \$50,000 2007 Series C. Principal repayment on the converted bonds series begins July 1, 2012 and is paid annually through the termination date. The termination date is July 1, 2024. The converted bonds will be subject to mandatory purchase by MMC on April 1, 2020 at their par value, unless the bank and MMC agree to an extension. Interest accrues at a fixed rate of 3.87%. The monthly interest payments are made directly to the bank. During 2011, the remaining \$70,000 of the Series 2007 B and C Revenue Bonds were refunded with proceeds from two separate Revenue Bond issues; MMC Issue, Series 2011 and MMC Issue Series 2011B.

Principal repayment of the MMC issue Series 2007 Bonds began July 1, 2008 and is scheduled to be paid annually through July 1, 2042. On the Series 2007 A Bonds (\$155,000 Revenue Bonds), interest accrues at a fixed rate ranging from 4.0% to 5.50%. The Series 2007 A Bonds are net of an original issue discount of \$875, which is being amortized over the life of the bonds using the straight line method. The Series 2007A Bonds require a debt service reserve fund. The balance of the debt service reserve fund at June 30, 2013 and 2012 was \$12,520 and \$12,604, respectively (see *Note E*). Interest is payable semi-annually on January 1st and July 1st. Prior to redemption the \$50,000 Series 2007 D Bonds accrued interest at a variable rate based on the prevailing interest rate in effect as determined by the Remarketing Agent on each Calculation Date.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2007 (A, B, C, and D) Bonds and Series 2007 B, C (Converted) - Continued

During 2013 the Series 2007D Bonds were refunded with proceeds from the 2013 Bond issue. The variable rate of interest was set to be the lower of the Maximum Rate as defined by the Indenture and the minimum rate that would enable the Remarketing Agent to sell all of the bonds. The Series 2007 D Bonds was net of an original issue discount of \$225, which was being amortized over the life of the bonds using the straight line method. Payment on the Series 2007 D Bonds was secured by a \$50,000 irrevocable letter of credit from Wells Fargo Bank. An annual letter of credit fee equal to 0.38% was payable quarterly by MMC. The letter of credit was terminated when the Series 2007D Bonds were refunded.

To lower the cost of capital of the hospital replacement project, MMC entered into two interest rate swap agreements. In August 2007, a fixed spread basis swap was entered into with a notional amount of \$210,000. Pursuant to the swap agreement, MMC pays the counter party a fixed interest rate equal to the USD-SIFMA Municipal Swap Index and receives interest at a variable rate equal to the sum of 67% of the USD-LIBOR-BBA and 0.54%. The interest rate swap agreement terminates on August 20, 2037. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. At June 30, 2013 and 2012, the fair value of the interest rate swap was (\$6,779) and (\$5,507), respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. For the years ended June 30, 2013 and 2012, an unrealized gain (loss) on interest rate swap totaling (\$1,271) and \$1,190, respectively, is reflected in the accompanying consolidated statements of operations.

During October 2007, MMC entered into a fixed payer swap with a notional amount of \$65,000. Pursuant to the swap agreement, MMC pays the counter party a fixed rate of 4.093% and receives a variable rate equal to the USD-SIFMA Municipal Swap Index. The interest rate swap agreement terminates on July 1, 2042. At June 30, 2013 and 2012, the fair value of the interest rate swap was (\$12,292) and (\$22,621), respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling \$10,329 and (\$15,282) is reflected in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2013 and 2012, respectively. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2013 Bonds

In January, 2013, MHHEFA authorized the issuance, sale and delivery of its \$50,210 Revenue Bonds, Mercy Medical Center, Series 2013. The proceeds were loaned by MHHEFA to MMC to refund the \$50,000 Series 2007D Bonds. The bonds were issued as non-bank qualified revenue bonds and directly purchased by a commercial bank. The direct bank purchase terminates on January 16, 2020 at which time the bonds will be subject to a mandatory purchase at their par value by Mercy Medical Center unless the bank and Mercy Medical Center agree to an extension.

The bonds bear interest at a variable rate equal to 30 day LIBOR times 70%, plus 1.10%. Interest is paid monthly. Principal repayment of the Series 2013 begins July 1, 2014 and is scheduled to be paid annually through July 1, 2042.

Mercy Medical Center Issue, Series 2012 Bonds

In April 2012, MHHEFA authorized the issuance, sale and delivery of its \$49,995 Revenue Bonds, Mercy Medical Center Issue, Series 2012. The proceeds were loaned by MHHEFA to MMC to refund \$49,480 aggregate principal amount of the Mercy Medical Center Issue, Series 2001 Bonds. The bonds include an original issue premium of \$1,742, which is being amortized over the life of the bonds using the straight line method. The bonds require a debt service reserve fund. The balance of the debt service fund at June 30, 2013 and 2012 was \$5,467 and \$5,478, respectively (see *Note E*).

Principal repayment of the MMC Issue, Series 2012 begins July 1, 2023 and is scheduled to be paid annually through July 1, 2031. Interest accrues at a rate varying from 4.0% to 5.0%. The interest is paid semi-annually on January 1st and July 1st.

On December 1, 2004, the Medical Center entered into a fixed spread basis swap agreement in order to reduce the cost of capital with respect to the Series 2001 Bonds by removing the tax risk to bond holders and transferring the risk to the Medical Center. The fixed spread basis swap matures on December 1, 2024 and the exchanges of cash flows with the counter party began March 1, 2005. The notional amount of the swap is \$50,000. Pursuant to the swap agreement, the Medical Center pays the counter party a variable rate equal to the USD-SIFMA Municipal Swap Index and receives interest at a variable rate equal to the sum of 67% of USD-LIBOR-BBA and 0.60%. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles.

At June 30, 2013 and 2012, the fair value of the interest rate swap was \$781 and \$995, respectively and is included in other long-term liabilities in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling (\$214) and \$732 is reflected in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2013 and 2012, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2011 Bonds

In February 2011, MHHEFA authorized the issuance, sale and delivery of its \$40,770 Revenue Bonds, Mercy Medical Center Issue, Series 2011. The proceeds were loaned by MHHEFA to MMC to refund \$35,110 aggregate principal amount of the MMC Issue, Series 2007 B and C Bonds. The bonds are net of an original issue discount of \$881, which is being amortized over the life of the bonds using the straight line method. The bonds require a debt service reserve fund. The balance of the debt service reserve fund at June 30, 2013 and 2012 was \$3,930 and \$4,008, respectively (see *Note E*).

Principal repayment of the MMC Issue, Series 2011 Bonds begins July 1, 2012 and is scheduled to be paid annually through July 1, 2031. Interest accrues at a rate varying from 3.0% to 6.25%. The interest is payable semi-annually on January 1st and July 1st.

Mercy Medical Center Issue Series 2011B Bonds

In June 2011, MHHEFA authorized the issuance, sale and delivery of its \$34,890 Revenue Bonds, Mercy Medical Center Issue, Series 2011B. The proceeds were loaned by MHHEFA to MMC to refund \$34,890 aggregate principal amount of the MMC Issue, Series 2007 B and C Bonds. The bonds were issued as non-bank qualified revenue bonds and directly purchased by a commercial bank. The direct bank purchase terminates on June 9, 2021 at which time the bonds will be subject to a mandatory purchase at their par value by MMC unless the bank and MMC agree to an extension.

The bonds bear interest at a variable rate equal to 30 day LIBOR plus 1.5% times 69%, plus 0.45%. Interest is paid monthly. Principal repayment of the Series 2011B Bonds begins July 1, 2032 and is scheduled to be paid annually through July 1, 2037.

Mercy Medical Center Issue, Series 2006 Bonds

In August 2006, MHHEFA authorized the issuance, sale and delivery of \$35,000 of Mercy Medical Center Series 2006 Revenue Bonds. The proceeds were loaned by MHHEFA to MMC in order to finance the construction of a new parking garage as well as the financing of certain routine capital expenditures.

Principal repayment of these bonds began on July 1, 2009 and is paid annually through July 1, 2036. Interest is paid semiannually on January 1st and July 1st. Interest accrues at a fixed rate of 5.69%.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2006 Bonds - Continued

Simultaneously with the issuance of the bonds, MMC entered into an interest rate swap agreement with a counter party with a notional amount of \$35,000 to convert the fixed rate structure to a variable rate. Under this agreement, MMC will receive a fixed interest rate of 5.14% and pay to the counter party the USD-SIFMA Municipal Swap Index. The interest rate swap agreement terminates on August 3, 2016. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. The value of this contract is based on two components: (i) the accrued but unpaid periodic cash flows and (ii) the termination value as defined in the agreement. By definition, the termination value is equal to the bond amount multiplied by the difference between highest price in the marketplace and the bonds base price (100%). The bonds are currently callable at par (100%) and the call price would be the highest price in the marketplace on the valuation date. This is due to the fact that MHS would be economically inclined to call the bonds at par versus paying any termination payment on the swap and the bonds are carried on MHS' books at par. With MHS prepared to call the bonds at par, the market price should immediately converge on the call price. Additionally, MHS has the right to optionally terminate the contract. The counter party does not have the right to optionally terminate the agreement. The counter party can only terminate the agreement prior to its stated maturity if an event of default or an additional termination event exists. Therefore, as of June 30, 2013 and 2012, the fair value of the swap was zero.

In anticipation of the transaction, MMC entered into a forward interest rate swap agreement on June 28, 2006 with a notional amount of \$35,000 in order to convert the variable swap rate to a fixed rate. Pursuant to the swap agreement, MMC pays the counter party a fixed interest rate of 3.976% and receives a variable rate equal to 67% of the USD-LIBOR-BBA. The interest rate swap agreement terminates on July 1, 2036. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. At June 30, 2013 and 2012, the fair value of the interest rate swap was (\$7,238) and (\$10,619), respectively and is included in other long-term liabilities in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling \$3,381 and (\$4,655) is reflected in the accompanying statements of operations for the fiscal years ended June 30, 2013 and 2012, respectively.

Mercy Medical Center Issue, Series 2008 (Converted)

In July 2008, MHHEFA authorized the issuance, sale and delivery of its \$35,325 Revenue Bonds, Mercy Medical Center Issue, Series 2008, the proceeds of which were loaned by MHHEFA to MMC in order to refund the MMC Series 2003 Bonds. On December 16, 2009, \$30,000 of the Series 2008 Bonds was converted to Bank Qualified Revenue Bonds with a fixed interest rate period of approximately twelve years. The bank at its discretion has the right to call the converted bonds at the seventh and tenth year anniversary. Principal repayment of the converted bonds began July 1, 2011 and is paid annually through July 1, 2022. Interest accrues at a fixed rate of 3.9932%.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issue, Series 2008 (Converted) - Continued

The monthly interest payments on the Series 2008 Bonds were made directly to the bank. Principal repayment of the Series 2008 Bonds began on July 1, 2009, and the portion of those bonds that were not converted to Bank Qualified Bonds was fully paid on July 1, 2011.

Mercy Medical Center Issues, Series 1996

In May 1996, MHHEFA authorized the issuance, sale and delivery of its \$30,000 Revenue Bonds, Mercy Medical Center Issue, Series 1996, the proceeds of which were loaned by MHHEFA to MMC in order to finance and refinance the costs of the 1996 project. The 1996 project consisted of the construction, acquisition, renovation, and equipping of certain hospital facilities including certain inpatient upgrades, ambulatory care facilities, operating rooms, building infrastructure, and administrative and support service facilities.

The Series 1996 Bonds are net of original issue discounts of \$302, which are being amortized over the life of the bonds using the straight line method. Interest is payable semi-annually on January 1st and July 1st. Principal repayment of these bonds began on July 1, 2004 and is paid annually through July 1, 2022.

In 2006, MMC entered into an agreement with a third party to run a tender process for the entire balance of the callable Series 1996 Bonds that totaled \$19,700. MMC gave investors the choice of accepting a 1% incremental premium over the existing call premium in exchange for tendering their bonds. Any investor not tendering their bonds had their bonds redeemed at the applicable redemption price. Through the execution of a traditional bond agreement, the third party agreed to purchase the bonds from those investors who tendered their bonds.

To convert the underlying fixed rate structure to a variable rate, simultaneously with the purchase of the bonds, MMC entered into two interest rate swap agreements with a counter party with notional amounts of \$13,840 and \$4,355. The two interest rate swap agreements with the counterparty were amended on July 25, 2011. Pursuant to the amended swap agreements, the counter party pays to MMC a fixed interest rate of 5.75% and 5.625% and receives a variable rate equal to the USD-SIFMA Municipal Swap Index and 1.55%. The interest rate swap agreements terminate on July 25, 2014. The interest rate swaps did not qualify for hedge accounting under generally accepted accounting principles. The value of this contract was based on two components: (i) the accrued but unpaid periodic cash flows and (ii) the termination value as defined in the agreement. By definition, the termination value was equal to the bond amount multiplied by the difference between highest price in the marketplace and the bonds base price (100%).

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt – Continued

Mercy Medical Center Issues, Series 1996 - Continued

The bonds are currently callable at par (100%) and the call price would be the highest price in the marketplace on the valuation date. This is due to the fact that MHS would be economically inclined to call the bonds at par versus paying any termination payment on the swap and the bonds are carried on MHS' books at par. With MHS prepared to call the bonds at par, the market price should immediately converge on the call price. Additionally, MHS has the right to optionally terminate the contract. The counter party does not have the right to optionally terminate the agreement. The counter party can only terminate the agreement prior to its stated maturity if an event of default or an additional termination event exists. Therefore, as of June 30, 2013 and 2012, the fair value of the swap was zero.

On June 28, 2006, to convert the structure back to a fixed rate, MMC entered into a forward rate swap agreement with a notional amount of \$18,741. Pursuant to the swap agreement, MMC pays the counter party a fixed interest rate of 4.031% and receives a variable rate of 67% of the USD-LIBOR-BBA. The interest rate swap agreement terminates on July 1, 2026. The interest rate swap does not qualify for hedge accounting under generally accepted accounting principles. At June 30, 2013 and 2012, the fair value of the interest rate swap was (\$3,315) and (\$4,587) respectively and is included in other long-term liabilities in the accompanying consolidated balance sheets. An unrealized gain (loss) on interest rate swap totaling \$1,272 and (\$1,536) is reflected in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2013 and 2012, respectively.

Stella Maris Issue, Series 1997 Bonds

The Series 1997 Bonds were issued to finance the acquisition by SMI of Stella Maris Operating Corporation and CSC; to advance refund certain nursing home revenue bonds previously issued by MHHEFA, Stella Maris Issue, Series 1991; and to refinance certain outstanding indebtedness of the acquired corporations.

Principal repayment of these bonds began on July 1, 2001 and is paid annually through July 1, 2021. All bonds are subject to redemption prior to maturity beginning March 1, 2001. Interest is accrued at a variable rate based on the prevailing interest rate in effect as determined by the Remarketing Agent on each Calculation Date. Interest on the bonds is payable monthly.

Under the provisions of the bond agreement, SMI has granted to MHHEFA a security interest in all of its real property and the assignment of its leases. In addition, payments on the bonds are secured by an irrevocable letter of credit provided by M&T Bank. An annual letter of credit fee, equal to 0.9% of the letter of credit amount, is payable quarterly by SMI. The letter of credit expires June 30, 2015.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt - Continued

Stella Maris Issue, Series 1997 Bonds - Continued

Under the terms of the bond indenture, SMI is required to maintain certain deposits with a trustee. The bond indenture agreement also requires SMI to satisfy certain measures of financial performance as long as the bonds are outstanding. As of June 30, 2013 and 2012, SMI was in compliance with the financial covenant requirements of the bond indenture.

HUD Mortgage Loan

The mortgage loan from the U.S. Department of Housing and Urban Development (HUD) was used by CSC to construct St. Elizabeth Hall. This original note was refinanced during FY13. The original terms of the note reflected an interest rate of 6.875% per annum with monthly installments of \$43, including interest, with the final payment due November 1, 2020.

From July 1997 through December 2005, CSC received authorization from HUD to suspend its monthly principal and interest payments of \$43. The unpaid interest during this deferral period was accrued. On December 21, 2012 the original outstanding debt was refinanced with a new outstanding face amount of \$5,202 and the unpaid interest accrued during the deferral period was forgiven, resulting in a gain on extinguishment of debt of \$2,649. The new note reflects an interest rate of 2.64% per annum with monthly installments of \$20, including interest, with the final payment due January 1, 2046. The new note requires mortgage insurance of 0.45% of the average annual outstanding principal balance determined annually for the duration of the note. Concurrent with these monthly mortgage payments, St. Elizabeth Hall is required to make monthly payments of \$23 derived from the savings of the new note to a Debt Service Savings Reserve Fund through May 2029 for purposes stipulated by a Debt Service Savings Agreement. Also concurrent with these monthly payments, St. Elizabeth Hall is required to make monthly payments of \$8 to a reserve fund for the replacement of property and equipment. These payments are required until the mortgage matures and are included in Board designated and donor restricted investments. All disbursements from this fund are contingent upon HUD's prior approval.

The liability of CSC under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note J - Long-Term Debt - Continued

Line-of-Credit

The Medical Center has a \$20,000 operating line of credit and an additional \$1,000 operating line of credit (for leases) with M&T Bank, and a \$15,000 line of credit for equipment and construction with PNC Bank which was terminated January 2013. At June 30, 2013, the \$20,000 and \$1,000 operating lines of credit had \$8,000 and \$0 outstanding, respectively. As of June 30, 2013, the interest rate on the outstanding \$8,000 loan draw was 2.34% and was based on two hundred and fifteen basis points above the greater of one-month LIBOR, with an interest period duration of one day. The \$20,000 operating line of credit agreement shall remain in effect until all obligations are paid in full or terminated by the Bank. No amounts were outstanding on any of these lines of credit at June 30, 2012.

Note K - Fair Value of Financial Instruments

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

Cash and cash equivalents, patient accounts receivable, other amounts receivable, accounts payable and accrued expenses, due to third party payers and construction retainage: The carrying amounts reported in the consolidated balance sheets approximate fair value.

Short-term investments, funds held by trustee or authority and board designated and donor restricted investments: Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Long-term debt: Fair values of revenue bonds and other debt are based on current traded values. At June 30, 2013 and 2012, the fair value of long-term debt was approximately \$456,290 and \$469,338, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Current accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable input other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities, and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the business, value, or financial position of MHS based on the fair value information of financial assets and liabilities presented below.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset or liability, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset or liability. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset or liability. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

MHS uses techniques consistent with the market approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Fair values of equity securities and fixed maturity securities have been determined by MHS from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes. Cash equivalents comprise short-term fixed maturity securities and carrying amounts approximate fair values, which have been determined from public quotations, when available. Money markets and certificates of deposit comprise short-term fixed maturity securities. The carrying amounts approximate fair values, which have been determined from public quotations, when available.

MHS holds alternative investments that are not traded on national exchanges or over-the-counter markets. MHS is provided information on a net asset value per share for these investments that has been calculated by the funds of funds' managers (who are investment advisors registered with the Securities and Exchange Commission) based on information provided by the managers of underlying funds. These investments are accounted for under the equity method which approximates fair value.

Fair value of the interest rate swaps represent, or are derived from, mid-market values. Mid-market prices and inputs may not be observable, and instead valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require subjective assumptions and judgments. Valuations may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including any embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following table presents MHS' fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2013.

Assets	Level 1	Level 2	Level 3	Total Fair Value
Board designated and donor restricted investments:				
Cash and cash equivalents				
Cash	\$ 194	\$ 0	\$ 0	\$ 194
Money market funds	0	27,173	0	27,173
Commercial paper	0	300	0	300
Long term investments				
Certificate of deposit	0	245	0	245
Equity securities				
Mutual funds				
International large cap core	8,050	0	0	8,050
International emerging markets	9,016	0	0	9,016
Domestic mutual fund-equity income	7,874	0	0	7,874
Common stocks				
Healthcare	3,477	0	0	3,477
Utilities	172	0	0	172
Financials	4,554	0	0	4,554
Consumer staples	1,794	0	0	1,794
Consumer discretionary	3,703	0	0	3,703
Materials	1,071	0	0	1,071
Energy	1,655	0	0	1,655
Information technology	7,065	0	0	7,065
Industrials	5,217	0	0	5,217
Miscellaneous	56	0	0	56
Foreign stocks/American deposit receipt	2,793	0	0	2,793
Fixed maturity				
US treasury notes	7,224	0	0	7,224
US government and agencies				
U S treasury bonds	0	810	0	810
Government agency bonds	0	3,028	0	3,028
Government agency mortgage backed securities	0	1,611	0	1,611
Government agency pools	0	5,098	0	5,098
Corporate bonds				
Strip and zero coupon	0	19	0	19
Banking	0	351	0	351
Financial	0	2,134	0	2,134
Industrial	0	4,979	0	4,979
International (other global corp bonds)	0	1,259	0	1,259
Asset backed securities	0	1,172	0	1,172
Collateralized mortgage backed securities	0	155	0	155
Fixed maturity loan fund	0	7,265	0	7,265
Bond fund	548	0	0	548
Municipal bonds	0	3,410	0	3,410
Alternative	0	0	7,034	7,034
Total board designated and donor restricted investments	64,463	59,009	7,034	130,506

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Assets	Level 1	Level 2	Level 3	Total Fair Value
Restricted funds				
Cash	\$ 6,915	\$ 0	\$ 0	\$ 6,915
Certificate of deposit	0	5,397	0	5,397
Equity				
Mutual fund				
Exchange traded	7,131	0	0	7,131
Emerging markets	4,847	0	0	4,847
Domestic mutual fund	1,735	0	0	1,735
Fixed maturity				
U S treasury notes	15,391	0	0	15,391
U S government and agencies				
Mortgage backed securities	0	10,242	0	10,242
Corporate and foreign bonds				
Financial	0	1,958	0	1,958
Industrial	0	1,949	0	1,949
Other	0	589	0	589
Municipal bonds	0	5,894	0	5,894
Total restricted funds	36,019	26,029	0	62,048
Cash and cash equivalents				
Cash	63,011	0	0	63,011
Money market fund	0	14,075	0	14,075
Certificate of deposit	0	1,342	0	1,342
Fixed maturity-mutual funds	221	0	0	221
Equities-exchange traded	77	0	0	77
Equities-domestic mutual equity funds	67	0	0	67
Total cash and cash equivalents	63,376	15,417	0	78,793
Short term investments				
Money market	0	1,014	0	1,014
Money market fund	0	383	0	383
Certificate of deposit	0	1,261	0	1,261
Total short term investments	0	2,658	0	2,658
Total cash, cash equivalents and short term investments	63,376	18,075	0	81,451
Long term investments				
Foreign currency	0	381	0	381
Fixed maturity				
U S treasury notes	5,542	0	0	5,542
U S government and agencies				
U S treasury bonds	0	0	0	0
Government agency bonds	0	880	0	880
Government agency mortgage backed securities	0	662	0	662
Government agency pools	0	1,157	0	1,157
Corporate Bonds				
Financial	0	1,545	0	1,545
Industrial	0	4,168	0	4,168
International (other global corp bonds)	0	494	0	494
Mortgage backed securities	0	124	0	124
Municipal bonds	0	1,023	0	1,023
Total long term investments	5,542	10,434	0	15,976

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Assets	Level 1	Level 2	Level 3	Total Fair Value
Funds held by trustee (current)				
Money market	\$ 0	\$ 8,067	\$ 0	\$ 8,067
Fixed maturity				
Government agency notes	0	3,982	0	3,982
Total funds held by trustee (current)	0	12,049	0	12,049
Funds held by trustee (non-current)				
Money market	0	1,438	0	1,438
Fixed maturity				
U.S. government and agencies	0	22,531	0	22,531
Certificate of deposit	0	132	0	132
Funds held by trustee (non-current)	0	24,101	0	24,101
Total funds held by trustee	0	36,150	0	36,150
Total assets fair value	\$ 169,400	\$ 149,697	\$ 7,034	\$ 326,131
Liabilities				
Interest rate swaps	\$ 0	\$ 0	\$ 28,843	\$ 28,843
Total liabilities at fair value	\$ 0	\$ 0	\$ 28,843	\$ 28,843

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following table presents MHS' fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2012.

Assets	Level 1	Level 2	Level 3	Total Fair Value
Board designated and donor restricted investments:				
Cash and cash equivalents				
Cash	\$ 249	\$ 0	\$ 0	\$ 249
Money market funds	0	32,028	0	32,028
Commercial paper	0	200	0	200
Long term investments				
Certificate of deposit	0	294	0	294
Equity securities				
Mutual funds				
International large cap core	9,118	0	0	9,118
Emerging markets	6,005	0	0	6,005
Domestic mutual fund	6,495	0	0	6,495
Common stocks				
Healthcare	2,635	0	0	2,635
Utilities	154	0	0	154
Financials	3,003	0	0	3,003
Consumer staples	1,533	0	0	1,533
Consumer discretionary	2,303	0	0	2,303
Materials	541	0	0	541
Energy	1,624	0	0	1,624
Information technology	7,898	0	0	7,898
Industrials	4,064	0	0	4,064
Miscellaneous	58	0	0	58
Foreign stocks/American deposit receipt	2,788	0	0	2,788
Equity alternative	0	0	294	294
Fixed maturity				
US treasury notes	2,633	0	0	2,633
US government and agencies				
U S treasury bonds	0	667	0	667
Government agency bonds	0	3,423	0	3,423
Government agency mortgage backed securities	0	3,360	0	3,360
Government agency pools	0	6,469	0	6,469
Corporate bonds				
Strip and zero coupon	0	48	0	48
Banking	0	445	0	445
Financial	0	2,017	0	2,017
Industrial	0	3,181	0	3,181
International (other global corp bonds)	0	857	0	857
Asset backed securities		1,365		1,365
Collateralized mortgage backed	0	162	0	162
Bond fund	7,550	0	0	7,550
Municipal bonds	0	3,868	0	3,868
Fixed income alternative	0	0	2,169	2,069
Total board designated and donor restricted investments	58,651	58,384	2,363	119,398

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Assets	Level 1	Level 2	Level 3	Total Fair Value
Restricted funds				
Cash	\$ 2,469	\$ 0	\$ 0	\$ 2,469
Equity				
Mutual fund				
Exchange traded	2,655	0	0	2,655
International exchange traded	983	0	0	983
Real estate exchange traded	1,690	0	0	1,690
Fixed maturity				
U S treasury notes	20,095	0	0	20,095
U S government and agencies				
Government agency pools	0	12,589	0	12,589
Corporate and foreign bonds				
Financial	0	1,538	0	1,538
Industrial	0	1,107	0	1,107
International	0	109	0	109
Asset backed	0	256	0	256
Municipal bonds	0	5,200	0	5,200
Total restricted funds	27,892	20,799	0	48,691
Cash and cash equivalents				
Cash	70,558	0	0	70,558
Money market fund	0	12,017	0	12,017
Fixed income mutual funds	218	0	0	218
Exchange traded fund	68	0	0	68
Domestic mutual equity funds	69	0	0	69
Total cash and cash equivalents	70,913	12,017	0	82,930
Short term investments				
Money market fund	0	1,203	0	1,203
Certificate of deposit	0	1,258	0	1,258
Total short term investments	0	2,461	0	2,461
Total cash, cash equivalents and short term investments	70,913	14,478	0	85,391
Long term investments				
Cash				
Foreign currency	0	101	0	101
Equity				
Real estate exchange traded	143	0	0	143
Commodity exchange traded	1,747	0	0	1,747
Fixed maturity				
U S treasury notes	6,739	0	0	6,739
U S government and agencies				
Government agency bonds	0	2,113	0	2,113
Government agency mortgage backed securities	0	5,274	0	5,274
Government agency pools	0	2,333	0	2,333
Corporate Bonds				
Financial	0	2,447	0	2,447
Industrial	0	3,530	0	3,530
International (other global corp bonds)	0	579	0	579
Asset backed securities	0	97	0	97
Municipal bonds	0	2,211	0	2,211
Total long term investments	8,629	18,685	0	27,314

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

Assets	Level 1	Level 2	Level 3	Total Fair Value
Funds held by trustee (current)				
Money market	\$ 0	\$ 9,475	\$ 0	\$ 9,475
Fixed maturity				
Government agency notes	0	1,653	0	1,653
Total funds held by trustee (current)	0	11,128	0	11,128
Funds held by trustee (non-current)				
Money market	0	2,149	0	2,149
Fixed maturity				
U S government and agencies	0	22,272	0	22,272
Certificate of deposit	0	360	0	360
Funds held by trustee (non-current)	0	24,781	0	24,781
Total funds held by trustee	0	35,909	0	35,909
Total assets fair value	\$ 166,085	\$ 148,255	\$ 2,363	\$ 316,703
Liabilities				
Interest rate swaps	\$ 0	\$ 0	\$ 42,340	\$ 42,340
Total liabilities at fair value	\$ 0	\$ 0	\$ 42,340	\$ 42,340

During fiscal year 2013, MHS transferred \$7,000 from level 1 fixed maturity and money market fund securities to level 2 fixed maturity securities, and transferred \$5,000 from level 1 securities money market fund securities to level 3 securities in accordance with MHS investment committee decision to reallocate the portfolio. During fiscal year 2012, there were no significant transfers between level 1 and level 2 fair value investments.

Included in alternative investments as of June 30, 2013 are three classes of hedge funds of funds with fair values of \$1,249 (Fund A), \$480 (Fund B) and \$5,304 (Fund C). Fund A and B are in liquidation and redemptions are suspended until the fund can liquidate its underlying holding. Fund C is redeemable calendar quarterly with 65 days advance notice. Included in alternative investments as of June 30, 2012 are two classes of hedge funds of funds with fair values of \$1,494 (Fund A) and \$867 (Fund B). Fund A is redeemable semiannually with one hundred twenty days notice (receipt of proceeds in seven to fifteen days of notice), and Fund B is redeemable at the manager's discretion (receipt of proceeds in seven to fifteen days of notice). There are no unfunded commitments for any of the hedge fund of funds for either 2013 or 2012.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note K - Fair Value of Financial Instruments - Continued

The following table is a rollforward of the consolidated statements of financial position amounts for financial instruments classified by MHS within level 3 of the valuation hierarchy defined above:

	Investments	Interest rate swaps
Fair value June 30, 2011	\$ 3,570	\$ (22,789)
Unrealized losses, net	(95)	(19,551)
Redemptions	(1,112)	0
Fair value June 30, 2012	2,363	(42,340)
Unrealized gains, net	356	13,497
Purchases	5,000	0
Redemptions	(685)	0
Fair value June 30, 2013	<u>\$ 7,034</u>	<u>\$ (28,843)</u>

Note L - Pension and Profit Sharing Plans

MHS has a qualified 401(k) plan covering substantially all employees of the Medical Center and SMI who have completed at least one year of service and are at least twenty-one years of age. MHS makes an annual contribution on behalf of all eligible employees based on either the employee's contributions to the 401(k) plan or their annual compensation. MHS will match, on a dollar for dollar basis (based on age and years of service thresholds) the amount contributed by the employee, not to exceed 6% of the employee's salary. MHS' contributions to the 401(k) plan for all participants employed prior to April 1, 1997 for Medical Center employees or July 1, 1997 for SMI employees, vest at a rate of 25% annually and completely vested on April 1, 2001 for Medical Center employees and July 1, 2001 for SMI employees. MHS' contributions for all participants employed on or after April 1, 1997 for Medical Center employees or July 1, 1997 for SMI employees vest after four years of service, with no vesting prior to four years of service. Contributions under this plan totaled approximately \$4,292 and \$4,281 for the years ended June 30, 2013 and 2012, respectively.

The Medical Center has a nonqualified deferred compensation plan for certain executives and physicians. The deferred compensation plan provides for severance and supplemental retirement benefits as defined in the plan. Compensation expense related to the deferred compensation plan was \$954 and \$1,065 for the years ended June 30, 2013 and 2012, respectively. Total deferred compensation obligations of \$5,738 and \$6,225 are included in other long-term liabilities in the accompanying consolidated balance sheets at June 30, 2013 and 2012, respectively (see *Note W*).

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note L - Pension and Profit Sharing Plans – Continued

The fair values of deferred compensation plan assets fair value on a recurring basis as of June 30, 2013 by asset category are as follows (see *Note H and K*):

Assets	Level 1	Level 2	Level 3	Total Fair Value
Equity				
Mutual funds				
International large cap core	\$ 388	\$ 0	\$ 0	\$ 388
Emerging markets	37	0	0	37
Domestic mutual fund-equity income	3,358	0	0	3,358
Fixed maturity				
Bond fund	0	1,955	0	1,955
Total assets fair value	\$ 3,783	\$ 1,955	\$ 0	\$ 5,738

The fair values of deferred compensation plan assets on a recurring basis as of June 30, 2012 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Equity				
Mutual funds				
International large cap core	\$ 332	\$ 0	\$ 0	\$ 332
Emerging markets	57	0	0	57
Domestic mutual fund-equity income	4,404	0	0	4,404
Fixed maturity				
Bond fund	0	1,432	0	1,432
Total assets fair value	\$ 4,793	\$ 1,432	\$ 0	\$ 6,225

There were no significant transfers between level 1 and level 2 fair value investments for the years ended June 30, 2013 and 2012.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note M - Post-Retirement Benefit Plan

MHS has an unfunded contributory health and medical post-retirement benefit plan available to all eligible employees who meet certain age and length of service requirements. The plan provides for health and medical benefits including primary care physician and specialist visits, hospitalization and emergency care, prescription drugs, vision care, and Medicare supplemental coverage.

The following table sets forth the components of the MHS obligation at June 30:

	<u>2013</u>	<u>2012</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 7,741	\$ 7,035
Service cost	95	174
Interest cost	240	314
Actuarial (gain) loss	(2,066)	419
Employer portion of benefits paid	<u>(255)</u>	<u>(201)</u>
Benefit obligation at end of year	5,755	7,741
Change in Plan Assets		
Employer contribution	255	202
Plan participants' contribution	381	355
Medicare Part D reimbursement	70	96
Benefits paid	<u>(706)</u>	<u>(653)</u>
Fair value of plan assets at end of year	0	0
Fund status		<u>(7,741)</u>
Accrued post-retirement benefit cost	(5,755)	(7,741)
Less current portion, included in accounts payable and accrued expenses	<u>(180)</u>	<u>(232)</u>
Total accrued post-retirement benefit cost, long-term portion	<u>\$ (5,575)</u>	<u>\$ (7,509)</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note M - Post-Retirement Benefit Plan – Continued

Net periodic post-retirement benefit cost included the following for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Service cost - benefits attributed to service during the period	\$ 95	\$ 174
Interest cost on accumulated post-retirement benefit obligation	240	314
Net amortization	<u>(128)</u>	<u>(101)</u>
Net post-retirement benefit cost	<u>\$ 207</u>	<u>\$ 387</u>

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation (APBO) for the plan was 4.5% and 4.00% for the years ended June 30, 2013 and 2012, respectively. For measurement purposes, the health care cost trend rates used in determining the APBO for the plan were 7.5% and 8.0% in 2013 and 2012, respectively. Increasing the health care cost trend rates by 1% would increase the APBO by \$1,126 and aggregate service and interest cost by \$75 at June 30, 2013.

Note N - Retirement Annuity Plan

MHS had a pension plan that was terminated on April 1, 1997 and established a retirement annuity plan under which certain participants of the terminated plan were entitled to annuity payments. Participants in the plan include (a) the retirees and beneficiaries entitled to benefits from the terminated plan on April 1, 1997 and (b) other participants with benefits worth more than \$4 that elected an annuity. All benefits are vested and based on the frozen accrued benefits at April 1, 1997.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan – Continued

The measurement dates for fiscal years 2013 and 2012 were June 30, 2013 and June 30, 2012, respectively. The following table sets forth the funded status of the retirement annuity plan and amounts recognized in accompanying consolidated financial statements:

	<u>2013</u>	<u>2012</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 10,119	\$ 10,057
Interest cost	375	502
Actuarial loss (gain)	(407)	858
Benefits paid	<u>(1,210)</u>	<u>(1,299)</u>
Benefit obligation at end of year	8,877	10,118
Change in Plan Assets		
Fair value of plan assets at beginning of year	5,434	6,927
Actuarial return on plan assets	477	(195)
Benefits paid	<u>(1,210)</u>	<u>(1,299)</u>
Fair value of plan assets at end of year	<u>4,701</u>	<u>5,433</u>
Funded status/accrued benefit cost	<u>\$ (4,176)</u>	<u>\$ (4,685)</u>

The discount rate was 4.50% and 4.00% for 2013 and 2012, respectively. The expected rate of return on plan assets was 6.50% for 2013 and 2012. The accompanying consolidated net pension cost was \$364 in 2013 and \$294 in 2012.

MHS' expected rate of return is evaluated annually and is based on the current interest rate environment, rate of inflation, allocation of the plan assets among various investment options and other market conditions.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The weighted-average asset allocations in the plan as of June 30, 2013 and 2012, by asset category were as follows:

Asset Category	June 30,	
	2013	2012
Equity securities	45%	59%
Fixed income bond fund	29%	20%
Fixed income alternatives	13%	13%
Cash and cash equivalents	10%	5%
Equity alternatives	3%	3%
Total	100%	100%

MHS' asset allocation guidelines at June 30, 2013 are as follows:

	Ranges	Target Allocation
TOTAL EQUITY	30-65%	50%
Domestic equity	30-65%	40%
International equity	0-15%	10%
EQUITY ALTERNATIVES	0-50%	0%
FIXED MATURITY ALTERNATIVES	0-40%	35%
CASH	5-25%	15%

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The fair values of plan assets on a recurring basis as of June 30, 2013 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents				
Cash	\$ 0	\$ 1	\$ 0	\$ 1
Money market funds	0	477	0	477
Equity alternative	0	0	151	151
Fixed maturity alternative	0	0	603	603
Fixed maturity				
Bond fund	0	1,060	0	1,060
International mutual fund	0	298	0	298
Equity securities				
Mutual funds				
International mutual funds				
Large cap core	322	0	0	322
Emerging markets	275	0	0	275
Global	92	0	0	92
Domestic mutual funds	1,042	0	0	1,042
Common stocks				
Healthcare	29	0	0	29
Utilities	12	0	0	12
Financials	95	0	0	95
Consumer staples	8	0	0	8
Consumer discretionary	55	0	0	55
Materials	19	0	0	19
Energy	13	0	0	13
Information technology	40	0	0	40
Industrials	83	0	0	83
Foreign stocks/ American deposit receipt	26	0	0	26
Total assets fair value	\$ 2,111	\$ 1,836	\$ 754	\$ 4,701

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

The fair values of plan assets on a recurring basis as of June 30, 2012 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents				
Cash	\$ 0	\$ 3	\$ 0	\$ 3
Money market funds	0	279	0	279
Equity alternative	0	0	176	176
Fixed maturity alternative	0	0	723	723
Fixed maturity				
Bond fund	0	1,064	0	1,064
Equity securities				
Mutual funds				
International large cap core	519	0	0	519
Emerging markets	340	0	0	340
Domestic fund	0	0	0	0
Common stocks				
Healthcare	279	0	0	279
Utilities	14	0	0	14
Financials	263	0	0	263
Consumer staples	155	0	0	155
Consumer discretionary	164	0	0	164
Materials	67	0	0	67
Energy	144	0	0	144
Information technology	610	0	0	610
Industrials	363	0	0	363
Foreign stocks/ American deposit receipt	270	0	0	270
Total assets fair value	\$ 3,188	\$ 1,346	\$ 899	\$ 5,433

There were no significant transfers between level 1 and level 2 fair value investments for the years ended June 30, 2013 and 2012.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note N - Retirement Annuity Plan - Continued

Included in alternative investments as of June 30, 2013 and 2012 are hedge funds of funds with fair values of \$754 and \$899, respectively. The funds are redeemable semiannually with no prior required redemption notice. There are no unfunded commitments for any of the hedge fund of funds for either 2013 or 2012.

The following table is a rollforward of the fair value amounts for financial instruments classified by the plan within level 3 of the valuation hierarchy above:

	Alternative Investments
Fair value June 30, 2011	\$ 1,078
Unrealized gains, net	2
Redemptions	(181)
Fair value June 30, 2012	899
Unrealized gains, net	49
Redemptions	(194)
Fair value June 30, 2013	<u>\$ 754</u>

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Benefit Payments</u>
2014	\$ 1,169
2015	1,106
2016	1,037
2017	967
2018	895
Next 5 years	3,418

Note O - Supplemental Cash Flow Information

Cash payments for interest, net of amounts capitalized and swap payments, were \$19,513 in 2013 and \$19,978 in 2012. Capitalized interest related to construction activities includes interest payments to creditors on bonds, net payments/receipts to counterparties on interest rate swap arrangements, and income received on trustee-held funds.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note P - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following health care services at June 30:

	<u>2013</u>	<u>2012</u>
Capital improvements	\$ 14,737	\$ 17,152
Departmental expenses	7,442	7,182
Pastoral care	5,008	5,008
Research programs	1,187	710
Indigent care	1,117	1,047
Education programs	187	252
Other	51	18
	<u>\$ 29,729</u>	<u>\$ 31,369</u>

Permanently restricted net assets consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
SMI Hospice Endowment	\$ 1,055	\$ 1,055
Weinberg Endowment	1,000	1,000
Dr. Goodman Endowment	123	123
	<u>\$ 2,178</u>	<u>\$ 2,178</u>

Note Q - Functional Expenses

MHS and its subsidiaries provide general health care services to patients within their geographic location. Expenses related to providing these services are as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 455,250	\$ 430,158
Administrative and support services	151,383	143,386
	<u>\$ 606,633</u>	<u>\$ 573,544</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note R - Commitments and Contingent Liabilities

Litigation

MHS has outstanding litigation involving claims brought against it in the normal course of business. Litigation in the normal course of business, as well as responses to claims and investigations described below, can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings and government investigations are difficult to predict. Attorneys for MHS are representing MHS in all of these matters. Management is currently unable to estimate, with reasonable certainty, the possible loss, or range of loss, if any, for such lawsuits and investigations. Management of MHS is unable to determine the amount of any possible settlements for such lawsuits and investigations, but is of the opinion that all of the lawsuits are covered by applicable MHS insurance.

MHS is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. As a result of the current level of governmental and public concerns with health care fraud and abuse, management recognizes that additional investigative activity could occur in the future. In the opinion of management and after consultation with legal counsel, management believes it has established adequate accrued reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty, however, and any associated potential future losses resulting from such activity could have a material adverse effect on the future financial position, results of operations and liquidity of MHS.

Self-Insurance Programs

As discussed in *Notes A* and *I*, GIC provides general and professional liability coverage to MHS and its subsidiaries. GIC's policies provide primary and certain excess liability coverage. GIC retains the risk related to the primary policy and reinsures the whole of the excess policies. While insurance policy limits vary by year, management believes the amounts are appropriate.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note R - Commitments and Contingent Liabilities – Continued

GIC's primary coverage limits for the periods ending June 30 are:

	<u>2013</u>	<u>2012</u>
Healthcare Professional Liability (HPL)	\$2,000 per loss event \$5,000 per related loss event \$16,500 aggregate	\$2,000 per loss event \$5,000 per related loss event \$16,500 aggregate
Managed Care Organization Liability (MCO)	\$2,000 per loss event \$16,500 aggregate	\$2,000 per loss event \$16,500 aggregate
Commercial General Liability (CGL)	\$5,000 per occurrence \$16,500 aggregate	\$5,000 per occurrence \$16,500 aggregate

GIC's primary coverage for HPL is \$2,000 per loss event and MHS does not have any excess liability insurance for HPL on a per loss event basis. GIC provides excess coverage for HPL in the aggregate amount of \$75,000 in excess of \$5,000 for related loss events and in excess of \$16,500 aggregate. GIC provides excess coverage for CGL in the aggregate amount of \$75,000 in excess of \$5,000 per occurrence and in excess of \$16,500 aggregate. All excess coverage is reinsured by commercial insurance companies.

In management's opinion, the assets of GIC are sufficient to meet its obligations as of June 30, 2013. If the financial condition of GIC were to materially deteriorate in the future, and GIC were unable to pay its claim obligations, the responsibility to pay those claims would return to MHS.

MHS and certain of its subsidiaries are self-insured against employee medical claims. Plan expenses include claims incurred and provisions for unreported claims. However, the program has an annual aggregate stop loss provision per employee.

MHS and certain of its subsidiaries are self-insured against workers compensation claims and have surety bonds of \$2,200 (for claims arising after June 2004) as collateral for such claims. For claims that occurred between December 18, 2002 and June 2004, the surety coverage is limited to \$1,950. For claims that occurred prior to December 18, 2002, the surety coverage is limited to \$1,400.

MHS and certain of its subsidiaries are self-insured against unemployment claims and have surety bonds of \$1,475 for the Medical Center and \$350 for SMI. The amounts change each October 1st as dictated by the Maryland Department of Licensing and Regulation.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note R - Commitments and Contingent Liabilities - Continued

Lease Commitments

The Medical Center and MFC have entered into separate long term leases for commercial space. The leases contain escalation clauses and charges for other costs related to the leased space. Future minimum payments for these leases for each of the years ended June 30 are as follows:

2014	\$	2,665
2015		2,630
2016		2,585
2017		1,909
2018		1,722
Thereafter		59,699
	\$	<u>71,210</u>

MHS and certain of its subsidiaries have other office space leases. Rent expense for the years ended June 30, 2013 and 2012 was \$5,047 and \$5,109, respectively.

The Medical Center and MFC have entered into separate long term operating leases for equipment. The leases contain escalation clauses and charges for other costs related to the leased space. Future minimum payments for these leases for each of the years ended June 30 are as follows:

2014	\$	3,809
2015		3,803
2016		3,441
2017		1,606
2018		971
Thereafter		953
	\$	<u>14,583</u>

MHS and certain of its subsidiaries have other operating leases for equipment. Equipment lease expense for the years ended June 30, 2013 and 2012 was \$3,779 and \$2,846, respectively.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note S - Maryland Health Services Cost Review Commission

The Medical Center's charges are subject to review and approval by the State of Maryland Health Services Cost Review Commission (the Commission). Management has made the required filings with the Commission and believes the Medical Center to be in compliance with the Commission's requirements. The Commission has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. The State of Maryland and Centers for Medicare and Medicaid Services are currently discussing a revision to the existing waiver methodology. If approved, Maryland would retain the waived status, and the measures to retain the waiver would be modified. Management believes that likely outcome of these discussions will be positive, and the waiver will remain in effect for at least three to five years.

The Commission established an uncompensated care fund whereby all hospitals are required to contribute 0.75% of revenues to this fund to help provide for the cost associated with uncompensated care for certain Maryland hospitals above the State average. In December 2008, the Commission modified this mechanism to finance uncompensated care statewide. The policy implemented 100% pooling and all Maryland hospitals have the same percentage of uncompensated care in rates. High uncompensated care hospitals receive funds and low uncompensated care hospitals pay into the fund. The Medical Center had net receipts of \$210 and \$607 for 2013 and 2012, respectively, related to its participation in the uncompensated care fund mechanism.

The Commission's rate-setting methodology for service centers that provide both inpatient and outpatient services or only outpatient services consists of establishing an acceptable unit rate for these centers within the applicable facility. The actual average unit charge for each service center is compared to the approved rate on a monthly basis. The rate variances, plus penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis. The timing of the Commission's rate adjustments for the Medical Center could result in an increase or reduction due to the variances and penalties described above in a year subsequent to the year in which such items occur. MHS' policy is to accrue revenue based on actual charges for services to patients in the year in which the services are performed and billed.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note T - Housing Assistance Payment Contract

The U.S. Federal Housing Administration (FHA) has contracted with CSC under Section 8 of Title II of the Housing and Community Development Act of 1974 to make housing assistance payments to CSC on behalf of certified tenants. For fiscal year 2013 and 2012, the maximum contract commitment was \$1,117 and \$1,092 per year, respectively. During the years ended June 30, 2013 and 2012, CSC received housing assistance payments of \$600 and \$554, respectively, which are included in patient service revenue in the accompanying consolidated statements of operations. The effective date of the contract is retroactive to April 1, 2013 and will expire on March 31, 2014. The overall contract expiration date is March 31, 2033.

Note U - Certain Risks and Uncertainties

Regulation and Reimbursement

MHS provides health care services primarily through an acute care hospital in Baltimore City and a long-term care facility in Baltimore County, Maryland.

MHS and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and State Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of MHS' consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of MHS' revenues and MHS' operations are subject to a variety of other federal, state and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on MHS. Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on MHS.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note U - Certain Risks and Uncertainties - Continued

Regulation and Reimbursement - Continued

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws. Recent federal initiatives have prompted a national review of federally funded health care programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. MHS has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future governmental review and enforcement action exists.

As a result of recently enacted and pending federal health care reform legislation, substantial changes are anticipated in the U.S. health care delivery system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal health care reform legislation does not affect the consolidated financial statements for the year ended June 30, 2013.

Investments

MHS and certain of its subsidiaries have funds on deposit with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation.

Certain alternative investments held in the MHS portfolio are exposed to potential risks in excess of the risks associated with the other investments in the MHS portfolio. These include, but are not limited to, the following potential risks:

- limited or no liquidity (including “side pocket” arrangements),
- derivative financial instruments that expose the investment funds to market risk (if the market value of the contract is higher or lower than the contract price at the maturity date) and credit risk (arising from the potential inability of counterparties to perform under the terms of the contracts),
- investment in non-marketable securities that are valued without the benefit of an active secondary market,
- substantially less regulation, and
- no current income production.

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note V – Endowment

Current accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of Maryland adopted UPMIFA.

The MHS endowments consist of three individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of MHS has interpreted the Maryland State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, MHS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note V – Endowment - Continued

MHS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity.

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

At June 30, 2013, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 0	\$ (19)	\$ 2,178	\$ 2,159
Total funds	<u>\$ 0</u>	<u>\$ (19)</u>	<u>\$ 2,178</u>	<u>\$ 2,159</u>

At June 30, 2012, the endowment net asset composition by type of fund consisted of the following.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 0	\$ (131)	\$ 2,178	\$ 2,047
Total funds	<u>\$ 0</u>	<u>\$ (131)</u>	<u>\$ 2,178</u>	<u>\$ 2,047</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note V – Endowment - Continued

Changes in endowment net assets for the fiscal year ended June 30, 2013, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 0	\$ (131)	\$ 2,178	\$ 2,047
Investment return:				
Investment income	0	186	0	186
Total investment income	0	186	0	186
Appropriation of endowment asset for expenditure	0	(74)	0	(74)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ (19)</u>	<u>\$ 2,178</u>	<u>\$ 2,159</u>

Changes in endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 0	\$ (44)	\$ 2,178	\$ 2,134
Investment return:				
Investment income	0	(103)	0	(103)
Total investment loss	0	(103)	0	(103)
Contributions	0	23	0	23
Appropriation of endowment asset for expenditure	0	(7)	0	(7)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ (131)</u>	<u>\$ 2,178</u>	<u>\$ 2,047</u>

Mercy Health Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
(Dollars in thousands)

Note W – Other Long-Term Liabilities

Other long-term liabilities consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Interest rate swaps	\$ 28,843	\$ 42,340
Deferred compensation plan	5,738	6,225
Retirement annuity plan	4,176	4,685
GIC claims estimated tail	1,000	1,000
Other	512	531
	<u>\$ 40,269</u>	<u>\$ 54,781</u>

Note X – Asset Abandonment

During fiscal year 2013, Mercy Health Services decided to abandon its investment in the partially-completed upgrade of the Meditech hospital information system. Although management already had plans to replace the existing physician electronic health record (EHR) computer system with EPIC, significant performance issues with the previous EHR computer system accelerated its replacement. Management decided that EPIC was a better solution to achieving an integrated EHR (hospital and physician), and therefore abandoned efforts to complete the Meditech project. The first phase of the EPIC install (EPIC ambulatory for physicians) went live August 1, 2013.

Note Y - Subsequent Events

Management evaluated all events and transactions that occurred after June 30, 2013 and through October 10, 2013, the date the consolidated financial statements were available to be issued. Other than described below, MHS did not have any material recognizable subsequent events during the period.

In August 2013, Mercy Medical Center purchased a parcel of land that it had previously been renting under the terms of an operating lease. The land purchase was valued at \$7,795. The purchase eliminated annual operating lease costs of \$920. The land is operated as a flat lot parking facility.

Report of Independent Auditor on Other Financial Information

The Board of Trustees
Mercy Health Services, Inc. and Subsidiaries
Baltimore, MD

We have audited the 2013 and 2012 consolidated financial statements of Mercy Health Services, Inc. and Subsidiaries as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated October 10, 2013, which contains an unqualified opinion on those consolidated financial statements (see pages one and two). Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidated balance sheets and related consolidated statements of activities, changes in net assets, and cash flows as of and for the years ended June 30, 2013 and 2012 are presented for purposes of additional analysis of the basic consolidated financial statements, and are not required parts of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Cohen, Rutherford + Knight, P.C.

October 10, 2013

Mercy Health Services, Inc. and Subsidiaries
Consolidating Balance Sheet Information
June 30, 2013
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	Physician Enterprise	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash, cash equivalents and short term investments	\$ 120	\$ 2,153	\$ 69,876	\$ 8,732	\$ 570	\$ 0	\$ 81,451
Current portion of funds held by trustee or authority	0	0	10,943	1,106	0	0	12,049
Resident prepayment deposits	0	0	0	637	0	0	637
Patient receivables, net	0	0	24,556	4,658	14,446	0	43,660
Other receivables, net	555	0	3,406	(616)	725	(750)	3,319
Current pledges receivable, net	0	4,907	0	0	0	0	4,907
Inventory	0	0	6,706	223	598	0	7,527
Other current assets	0	0	4,282	101	165	0	4,548
TOTAL CURRENT ASSETS	675	7,060	119,769	14,841	16,504	(750)	158,098
PROPERTY AND EQUIPMENT	0	0	518,200	23,955	6,471	0	548,626
INVESTMENTS AND OTHER ASSETS							
Funds held by trustee or authority, less current portion	0	0	22,817	1,284	0	0	24,101
Long-term investments	6,769	0	9,207	0	0	0	15,976
Board designated and donor restricted investments	9,579	10,670	94,250	16,007	0	0	130,506
Restricted cash	0	2,055	59,993	0	0	0	62,048
Interest in net assets of MHF	0	0	21,396	5,423	0	(26,819)	(0)
Long-term pledges receivable, net	0	10,175	0	0	0	0	10,175
Investments in and advances to affiliates	11,275	(2,053)	(4,715)	(702)	(475)	(3,001)	329
Reinsurance balances receivable	0	0	10,018	0	0	0	10,018
Other assets	138	0	12,258	532	3,506	0	16,434
TOTAL ASSETS	\$ 28,436	\$ 27,907	\$ 863,194	\$ 61,340	\$ 26,006	\$ (30,571)	\$ 976,311

Mercy Health Services, Inc. and Subsidiaries
Consolidating Balance Sheet Information-Continued
June 30, 2013
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	Physician Enterprise	Eliminations	Consolidated
<i>LIABILITIES AND NET ASSETS</i>							
CURRENT LIABILITIES							
Current maturities of long-term debt	\$ 26	\$ 0	7,365	\$ 1,206	\$ 0	\$ 0	\$ 8,597
Accounts payable and accrued expenses	98	19	58,135	6,244	12,283	(86+)	75,915
Resident prepayment deposits	0	0	0	636	0	0	636
Construction retainage	0	0	2,042	0	0	0	2,042
Line of credit	0	0	8,000	0	0	0	8,000
TOTAL CURRENT LIABILITIES	124	19	75,542	8,086	12,283	(86+)	95,190
Long-term debt	143	0	425,226	16,154	0	0	441,523
Accrued interest	0	0	0	17	0	0	17
Provision for outstanding losses	0	0	58,205	0	0	0	58,205
Post-retirement obligation	0	0	5,575	0	0	0	5,575
Other long-term liabilities	0	184	40,085	0	0	0	40,269
TOTAL LIABILITIES	267	203	604,633	24,257	12,283	(86+)	640,779
NET ASSETS							
Unrestricted	28,168	884	236,028	28,381	13,051	(2,887)	303,625
Temporarily restricted	0	24,764	21,410	7,647	672	(24,764)	29,729
Permanently restricted	0	2,055	1,123	1,055	0	(2,055)	2,178
TOTAL NET ASSETS	28,168	27,703	258,561	37,083	13,722	(29,706)	335,532
TOTAL LIABILITIES AND NET ASSETS	\$ 28,436	\$ 27,907	\$ 863,194	\$ 61,340	\$ 26,006	\$ (30,571)	\$ 976,311

Mercy Health Services, Inc. and Subsidiaries
Consolidating Statement of Operations Information
Year ended June 30, 2013
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	Physician Enterprise	Eliminations	Consolidated
REVENUES							
Patient service revenues	\$ 0	\$ 0	\$ 424,331	\$ 49,484	\$ 129,433	\$ 0	\$ 603,249
(net of allowances and discounts)	0	0	(21,787)	(592)	(7,906)	0	(30,285)
Provisions for bad debt							
Net patient service revenues	0	0	402,544	48,892	121,528	0	572,964
Other operating revenues	1,722	1,486	18,422	6,129	9,936	(11,706)	25,990
Net assets released from restrictions							
used for operations	0	0	2,005	1,202	187	0	3,394
TOTAL REVENUES	1,722	1,486	422,972	56,223	131,651	(11,706)	602,348
EXPENSES							
Salaries and benefits	1,285	1,046	191,080	37,397	104,244	(4,480)	330,572
Medical and surgical supplies	0	0	52,417	862	1,057	0	54,336
Pharmacy supplies	0	0	24,038	1,093	7,717	0	32,848
Other expendable supplies	0	466	20,311	3,886	1,964	0	26,627
Professional fees	0	0	8,427	2,800	5,171	(1,075)	15,324
Insurance	0	0	19,763	813	4,793	28	25,397
Other purchased services	30	268	50,901	3,415	5,282	(6,505)	53,392
Interest expense	0	0	18,725	892	0	0	19,617
Repairs	0	31	9,706	637	602	0	10,976
Depreciation and amortization	0	0	33,087	2,190	2,267	0	37,545
TOTAL EXPENSES	1,316	1,812	428,455	53,985	133,097	(12,032)	606,633
OPERATING INCOME (LOSS)	406	(325)	(5,483)	2,238	(1,446)	325	(4,285)

Mercy Health Services, Inc. and Subsidiaries
Consolidating Statement of Operations Information - Continued
Year ended June 30, 2013
(Dollars in thousands)

	Mercy Health Services, Inc.	Mercy Health Foundation, Inc.	Mercy Medical Center, Inc.	Stella Maris, Inc.	Physician Enterprise	Eliminations	Consolidated
OTHER INCOME (EXPENSES)							
Investment income	\$ 402	\$ 190	\$ 3,018	\$ 590	\$ 0	(\$190)	\$ 4,010
Equity in gains of affiliates	546	0	0	0	0	0	546
Net unrealized gain(loss) on trading securities	299	136	455	580	0	(136)	1,334
Unrealized loss on interest rate swap	0	0	13,497	0	0	0	13,497
Gain on early extinguishment of debt	0	0	0	2,649	0	0	2,649
Gain (loss) on asset disposal	0	0	(20)	0	3	0	(17)
Asset abandonment	0	0	(7,826)	0	0	0	(7,826)
Other	0	0	(652)	0	0	0	(652)
NET OTHER INCOME (EXPENSES)	1,247	325	8,472	3,819	3	(325)	13,540
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	1,653	0	2,989	6,057	(1,444)	0	9,255
Changes to post retirement plans obligations	0	0	2,939	0	0	0	2,939
Transfers of net assets	0	0	(30,650)	0	30,650	0	0
Net assets released from restrictions for the purchase of property and equipment	0	0	3,559	(115)	0	0	3,444
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 1,653	\$ 0	(\$21,163)	\$ 5,942	\$ 29,206	\$ 0	\$ 15,638