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

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 \$ 489,121,707 including grants of \$ 1,897,724) (Revenue \$ 628,865,039)
	Sacred Heart Health System provides primary, secondary, and tertiary health care services to residents of the communities it serves. There is special emphasis on service to the poor and those most in need. The System includes the flagship 458 beds medical, surgical acute care hospital in Pensacola, Florida. Housed within the Pensacola facility is the 119 bed Children's Hospital, the only one in Northwest Florida. Sacred Heart Hospital on the Emerald Coast is a 58 bed medical surgical hospital located in Miramar Beach, FL. Sacred Heart Hospital of the Gulf is a 25 bed medical surgical hospital located in Port St. Joe, FL. Sacred Heart Health System together with LHP Hospital Group, Inc. operates 323-bed Bay Medical Sacred Heart located in Panama City, FL. Sacred Heart Health System expands awareness, education and promotion of health by offering healthcare, classes and seminars for the Community.

[illegible][illegible]

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

4e	Total program service expenses ▶	489,121,707
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Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

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

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	15	
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	14	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	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	Yes
15b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
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	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization Susan Cornejo 5151 N 9th Ave Pensacola, FL (850) 416-7000

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) Eric J Nickelsen Chairman	1 00 0 00	X		X				0	0	0
(2) Dudley H Greenhut Vice Chair	1 00 0 00	X		X				0	0	0
(3) Richard R Baker Member	1 00 0 00	X						0	0	0
(4) Michael L Burroughs Member	1 00 0 00	X						0	0	0
(5) Carol H Carlan Member	1 00 1 00	X						0	0	0
(6) Gerald J Christie Member	1 00 0 00	X						0	0	0
(7) Sister Mary Jean Doyle Member	1 00 0 00	X						0	0	0
(8) Nancy A Fetterman Member	1 00 1 00	X						0	0	0
(9) Robert A Emmanuel Member	1 00 0 00	X						0	0	0
(10) Sister Nora Gatto DC Member	1 00 0 00	X						0	0	0
(11) Sister Lois O'Malley CSJ Member	1 00 0 00	X						0	0	0
(12) Antonio E Pena MD Member	1 00 0 00	X						0	0	0
(13) Adelaida B Torres MD Member	1 00 0 00	X						0	0	0
(14) Ronald P Townsend Member	1 00 0 00	X						0	0	0
(15) Susan L Davis RN President/CEO	40 00 1 00	X		X				0	1,453,449	955,587
(16) Buddy Elmore EVP and CFO	40 00 2 00			X				684,809	0	28,971
(17) Carol Schmidt COO & President (SHHP)	40 00 0 00			X				598,765	0	14,037

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Carol Whittington VP - Human Resources	40 00 0 00			X				470,285	0	27,107
(19) James Ward MD Chief Medical Officer	40 00 0 00			X				560,709	0	40,756
(20) Karen Emmanuel General Counsel	40 00 1 00				X			445,435	0	15,598
(21) Roger Hall President - SHHEC & SHHG	1 00 0 00				X			483,540	0	23,757
(22) Peter Heckathorn EVP SHMG	1 00 0 00				X			716,981	0	28,597
(23) Michael Brown MD Dir of Medical Affairs	1 00 0 00				X			409,890	0	27,147
(24) Dana N Bledsoe Pres, Child & Wmns Hosp	40 00 0 00					X		435,948	0	27,096
(25) Stephanie J Duggan MD CMO SHHP	40 00 0 00					X		582,184	0	40,486
(26) Laura A Irwin COO	40 00 0 00					X		348,125	0	23,585
(27) Ava D Lancaster Chief Nursing Officer	40 00 0 00					X		290,446	0	13,841
(28) Henry E Roberts President - SHF	40 00 0 00					X		315,074	0	12,304
(29) Laura S Kaiser Former CEO & COO (SHHS)	0 00 0 00						X	418,557	0	7,114
(30) Patrick Madden Former President & CEO	40 00 0 00						X	496,200	0	869,422
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								7,256,948	1,453,449	2,155,405
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▶89										

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
(A) Name and business address	(B) Description of services	(C) Compensation
Morrison Management Specialists Inc PO Box 102289 Atlanta GA 303682289	Food/Environmental Service (Sch O)	16,196,824
Greenhut Construction Co 23 South A Street Pensacola FL 32501	Construction (Sch O)	9,006,426
TriMedx LLC PO Box 1627 Indianapolis IN 46206	Equipment Maintenance	7,719,790
AMS Sacred Heart LLC 362 Gulf Breeze Pkwy Suite 116 Gulf Breeze FL 32561	Anesthesiology Service	4,908,327
Mickelson Construction 3475 North S Street Pensacola FL 32505	Construction (Sch O)	1,581,806
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 ▶127		

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				
	e	Government grants (contributions)	1e	5,201,345			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	5,323,338			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		10,524,683			
Program Service Revenue	2a	Net Patient Revenue	Business Code 621990	630,209,871	629,010,598	1,199,273	
	b	Management Services	541610	1,407,807	1,407,807		
	c	Medical Transportation	480000	1,091,701	1,091,701		
	d	Education	611710	43,330	43,330		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		632,752,709			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		7,148,977		7,148,977
4		Income from investment of tax-exempt bond proceeds . . .					
5		Royalties					
6a		Gross rents	(i) Real 3,866,462	(ii) Personal			
		b	Less rental expenses	3,039,087			
		c	Rental income or (loss)	827,375			
		d	Net rental income or (loss)		827,375		827,375
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 1,007,923			
		b	Less cost or other basis and sales expenses		508,767		
		c	Gain or (loss)		499,156		
		d	Net gain or (loss)		499,156		499,156
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 . . .					
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 . . .					
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 . . .					
	Miscellaneous Revenue	Business Code					
11a	E H R Incentive	900099	3,740,285	3,740,285			
b	Cafeteria Rev	621990	2,080,149			2,080,149	
c	Unconsolidated Ops	900099	-4,555,926	-6,428,682	1,872,756		
d	All other revenue		3,386,218		1,045	3,385,173	
e	Total. Add lines 11a-11d		4,650,726				
12	Total revenue. See Instructions		656,403,626	628,865,039	3,073,074	13,940,830	

Part IX

Statement of Functional Expenses

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

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

☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	1,897,724	1,897,724		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	5,823,863		5,823,863	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	914,757		914,757	
7	Other salaries and wages.	262,285,229	223,452,371	38,832,858	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	5,215,393	622,885	4,592,508	
9	Other employee benefits.	36,400,268	2,345,716	34,054,552	
10	Payroll taxes.	16,740,631	13,912,480	2,828,151	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	1,006,290	432	1,005,858	
c	Accounting.				
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	49,221,266	4,022,710	45,198,556	
12	Advertising and promotion.	1,535,502	36,021	1,499,481	
13	Office expenses.	1,692,483	1,136,984	555,499	
14	Information technology.				
15	Royalties.				
16	Occupancy.	10,204,234	10,204,234		
17	Travel.	1,077,486	899,767	177,719	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	942,654	358,035	584,619	
20	Interest.	3,520,150		3,520,150	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	19,424,129	14,220,974	5,203,155	
23	Insurance.	2,146,149	4,983,898	-2,837,749	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	Medical Supplies	131,380,941	127,842,011	3,538,930	0
b	Professional Fees	29,750,112	23,732,795	6,017,317	0
c	Rental Expense	26,644,583	26,644,583	0	0
d	Contract Labor	7,812,313	5,814,618	1,997,695	0
e	All other expenses	36,396,245	26,993,469	9,402,776	
25	Total functional expenses. Add lines 1 through 24e.	652,032,402	489,121,707	162,910,695	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			0	1	0
	2	Savings and temporary cash investments			24,144,490	2	14,920,763
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			122,062,096	4	113,785,345
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			100,000	5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			15,753,876	8	17,592,363
	9	Prepaid expenses and deferred charges			6,418,338	9	3,911,678
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	632,180,635			
	b	Less accumulated depreciation	10b	346,337,012	264,220,408	10c	285,843,623
	11	Investments—publicly traded securities				11	
	12	Investments—other securities See Part IV, line 11				12	33,198,682
	13	Investments—program-related See Part IV, line 11				13	
	14	Intangible assets			5,719,947	14	7,124,701
	15	Other assets See Part IV, line 11			363,924,592	15	353,495,436
	16	Total assets. Add lines 1 through 15 (must equal line 34)			802,343,747	16	829,872,591
Liabilities	17	Accounts payable and accrued expenses			46,536,397	17	51,090,305
	18	Grants payable				18	
	19	Deferred revenue			2,427,158	19	7,425,652
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D				21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			304,452,486	25	326,341,403
	26	Total liabilities. Add lines 17 through 25			353,416,041	26	384,857,360
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			447,228,932	27	436,348,760
	28	Temporarily restricted net assets			1,698,774	28	8,666,471
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			448,927,706	33	445,015,231
	34	Total liabilities and net assets/fund balances			802,343,747	34	829,872,591

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	656,403,626
2	Total expenses (must equal Part IX, column (A), line 25)	2	652,032,402
3	Revenue less expenses Subtract line 2 from line 1	3	4,371,224
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	448,927,706
5	Net unrealized gains (losses) on investments	5	5,135,293
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	-13,418,992
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	445,015,231

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	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	

Additional Data

Software ID:

Software Version:

EIN: 59-0634434

Name: Sacred Heart Health System Inc

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
Eric J Nickelsen Chairman	1 00 0 00	X		X				0	0	0
Dudley H Greenhut Vice Chair	1 00 0 00	X		X				0	0	0
Richard R Baker Member	1 00 0 00	X						0	0	0
Michael L Burroughs Member	1 00 0 00	X						0	0	0
Carol H Carlan Member	1 00 1 00	X						0	0	0
Gerald J Christie Member	1 00 0 00	X						0	0	0
Sister Mary Jean Doyle Member	1 00 0 00	X						0	0	0
Nancy A Fetterman Member	1 00 1 00	X						0	0	0
Robert A Emmanuel Member	1 00 0 00	X						0	0	0
Sister Nora Gatto DC Member	1 00 0 00	X						0	0	0
Sister Lois O'Malley CSJ Member	1 00 0 00	X						0	0	0
Antonio E Pena MD Member	1 00 0 00	X						0	0	0
Adelaida B Torres MD Member	1 00 0 00	X						0	0	0
Ronald P Townsend Member	1 00 0 00	X						0	0	0
Susan L Davis RN President/CEO	40 00 1 00	X		X				0	1,453,449	955,587
Buddy Elmore EVP and CFO	40 00 2 00			X				684,809	0	28,971
Carol Schmidt COO & President (SHHP)	40 00 0 00			X				598,765	0	14,037
Carol Whittington VP - Human Resources	40 00 0 00			X				470,285	0	27,107
James Ward MD Chief Medical Officer	40 00 0 00			X				560,709	0	40,756
Karen Emmanuel General Counsel	40 00 1 00				X			445,435	0	15,598
Roger Hall President - SHHEC & SHHG	1 00 0 00				X			483,540	0	23,757
Peter Heckathorn EVP SHMG	1 00 0 00				X			716,981	0	28,597
Michael Brown MD Dir of Medical Affairs	1 00 0 00				X			409,890	0	27,147
Dana N Bledsoe Pres, Child & Wmns Hosp	40 00 0 00					X		435,948	0	27,096
Stephanie J Duggan MD CMO SHHP	40 00 0 00					X		582,184	0	40,486

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(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			
Laura A Irwin COO	40 00 0 00					X		348,125	0	23,585
Ava D Lancaster Chief Nursing Officer	40 00 0 00					X		290,446	0	13,841
Henry E Roberts President - SHF	40 00 0 00					X		315,074	0	12,304
Laura S Kaiser Former CEO & COO (SHHS)	0 00 0 00						X	418,557	0	7,114
Patrick Madden Former President & CEO	40 00 0 00						X	496,200	0	869,422

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization Sacred Heart Health System Inc	Employer identification number 59-0634434
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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)

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

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

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

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

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)

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

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

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

An organization that normally receives (1) more than 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)

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

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

Type I Type II Type III - Functionally integrated Type III - Non-functionally integrated

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)

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

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?

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 IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Sacred Heart Health System Inc	Employer identification number 59-0634434
--	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		4,231
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		220,587
j	Total. Add lines 1c through 1i.			224,818
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	Sacred Heart Health System, Inc. engaged consultants to assist in various lobbying activities pertaining to state and federal health care legislation, including healthcare reform. Staff and consultants wrote letters and met personally with state and local legislators on these matters. Sacred Heart Health System, Inc. does not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

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
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I

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

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

Part II

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

1

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

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

2

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

	Held at the End of the Year
a	Total number of conservation easements
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

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII and complete the following table
- | | |
|----|--------|
| | 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	36,833	32,833	29,420	25,094	22,614
b Contributions		4,000	3,413	4,326	2,480
c Net investment earnings, gains, and losses	-684				
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	36,149	36,833	32,833	29,420	25,094

- 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

(ii) related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- | | | |
|--------|-----|----|
| | Yes | No |
| 3a(i) | | No |
| 3a(ii) | Yes | |
| 3b | | No |
- 4

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	7,555,310	48,604,134		56,159,444
b Buildings	20,763,861	349,228,404	205,098,808	164,893,457
c Leasehold improvements				
d Equipment		176,169,671	141,238,204	34,931,467
e Other		29,859,255		29,859,255
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				285,843,623

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. (Column (b) must equal Form 990, Part X, col (B) line 12)		

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. (Column (b) must equal Form 990, Part X, col (B) line 13)		

(a) Description	(b) Book value
(1) Due from Affiliates	142,206,122
(2) Interest in Investments Held by Ascension Health Alliance	174,911,224
(3) Temporarily Restricted Investments	8,252,134
(4) Ascension Deferred Compensation	12,516,978
(5) Other Misc Assets	15,608,978
Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.)	353,495,436

(a) Description of liability	(b) Book value
Federal income taxes	
Intercompany Debt with Ascension Health Alliance	114,991,700
Deferred Compensation	12,516,978
Due to Affiliates	149,450,592
Retirement Plan Obligation	13,394,758
Self Insurance Trust	3,998,953
Other Liabilities	10,781,787
Third Party Payables	6,605,040
MOB Liability Accounting Ownership	11,910,870
AR Credit Balances	2,690,725
Total. (Column (b) must equal Form 990, Part X, col (B) line 25)	326,341,403

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

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Additional Data

Software ID:
Software Version:
EIN: 59-0634434
Name: Sacred Heart Health System Inc

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

1	(a) Description of Liability	(b) Book Value
	Intercompany Debt with Ascension Health Alliance	114,991,700
	Deferred Compensation	12,516,978
	Due to Affiliates	149,450,592
	Retirement Plan Obligation	13,394,758
	Self Insurance Trust	3,998,953
	Other Liabilities	10,781,787
	Third Party Payables	6,605,040
	MOB Liability Accounting Ownership	11,910,870
	AR Credit Balances	2,690,725

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

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)			14,429,279		14,429,279	2 210 %
b Medicaid (from Worksheet 3, column a)			98,197,482	80,692,380	17,505,102	2 680 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			112,626,761	80,692,380	31,934,381	4 890 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			9,536,625	4,316,331	5,220,294	0 800 %
f Health professions education (from Worksheet 5)			918,815		918,815	0 140 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			443,670	235,695	207,975	0 030 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,298,323		1,298,323	0 200 %
j Total Other Benefits			12,197,433	4,552,026	7,645,407	1 170 %
k Total. Add lines 7d and 7j			124,824,194	85,244,406	39,579,788	6 060 %

Part II

Community Building Activities

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

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

Part III

Bad 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

80,047,601

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

5,129,547

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

139,606,080

6

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

6

142,480,577

7

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

7

-2,874,497

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 IV

Management Companies and Joint Ventures

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

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

Part V

Facility Information

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?
3

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	Sacred Heart Hospital 5151 N 9th Ave Pensacola, FL 32504 www.sacred-heart.org	X	X	X	X		X	X			
2	Sacred Heart on the Emerald Coast 7800 US Hwy 98 Miramar Beach, FL 32550 www.sacredheartemerald.org	X	X					X			
3	Sacred Heart Hospital on the Gulf 3801 E Hwy 98 Port St Joe, FL 32456 www.sacred-heart.org/gulf	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)

Sacred Heart Hospital

Name of hospital facility or facility reporting group

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

1

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</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 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☐ Medical indigency			
d ☒ Insurance status			
e ☒ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☒ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

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

Part V Facility Information (continued)

Section 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)

Sacred Heart on the Emerald Coast

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)

2

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	☒ A definition of the community served by the hospital facility		
b	☒ Demographics of the community		
c	☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☒ How data was obtained		
e	☒ The health needs of the community		
f	☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☒ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>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	☒ Hospital facility's website		
b	☒ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☒ Execution of the implementation strategy		
c	☒ Participation in the development of a community-wide plan		
d	☒ Participation in the execution of a community-wide plan		
e	☒ Inclusion of a community benefit section in operational plans		
f	☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☐ Prioritization of health needs in its community		
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☐ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes
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 00000000000000</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 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☐ Medical indigency			
d ☒ Insurance status			
e ☒ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☒ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?		17	No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

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

Part V Facility Information (continued)

Section 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)

Sacred Heart Hospital on the Gulf

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)

3

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</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 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☐ Medical indigency			
d ☒ Insurance status			
e ☒ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☒ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

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

Part V

Facility Information (continued)

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

How many non-hospital health care facilities did the organization operate during the tax year?
26

Name and address	Type of Facility (describe)
1 See Additional Data Table	
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
		Part I, Line 7 The cost of providing charity care, means tested government programs, and community benefit programs is estimated using internal cost data, and is calculated in compliance with the Catholic Health Association ("CHA") guidelines The organization uses a costing accounting system that addresses all patient segments (for example inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self pay) The best available data was used to calculate the amounts reported in the table For the information in the table, a cost-to-charge ratio was calculated and applied
		Part II Physical Improvements & Housing SHHS contributed financially to the construction of Habitat for Humanity homes SHHS held bi-monthly housing orientation sessions which were attended by pre-screen applicants Applications were received from more than 30 persons with many in various stages of qualifying, actively building or occupying homes SHHS participated with a coalition of local agencies including the EscaRosa Coalition on the Homeless, Community Action Program, Inc , and the Alfred-Washburn Center, to developing low-income housing solutions, and provided physical improvements to the dwellings of low-income homeowners Workforce Development SHHS provided Certified Nursing Assistant training and job placement at SHHS facilities for their own employees as well as individuals from the community at large Smoking Cessation Sacred Heart offers (free six week long classes, seven times per year) "Freedom from Smoking" programs at no cost to help with the physical, psychological and habitual components of nicotine addictions The System has identified tobacco use and its adverse impact on multiple health indicators as a key contributor to poor health outcomes in the community Sacred Heart and competitor Baptist have mutually agreed to become tobacco free employers effective January 1, 2014 Other Programs Improving healthy behaviors is a top priority of the system's CHNA Implementation Strategy Additionally, health education for the community is provided with regular classes on topics such as stress management, violence prevention, diabetes management, babysitting, CPR, newborn parenting, preparing for joint replacement surgery, surviving after stroke, caregiver training, and coping with cancer Mentoring Programs Sacred Heart Health System provides a robust school mentoring program in partnership with the Escambia and Santa Rosa School Districts Twelve children were provided mentoring on a weekly basis A particular emphasis is placed on annual science fairs, reading, math and preparation for state standardized testing Eighty children benefited from tutoring on an episodic basis as they prepared for standardized testing Recycling Sacred Heart Health System actively works to reduce its waste stream by recycling cardboard, office paper, tin, aluminum, and plastics In conjunction by our dietary service partner Touchpoint, the system has eliminated most Styrofoam containers in favor of post-consumer paper products The system also promotes utilizing less electricity which reduces emissions caused by electrical power generation A new high efficiency power plant came online at the Pensacola Campus in 2013 Medical Education Sacred Heart Hospital provides medical education through the following residency programs FSU college of Medicine Pediatric Residency, FSU College of Medicine OB/GYN Residency, LECOM Internal Medicine Residency, and Sacred Heart Hospital Pharmacy Residency Sacred Heart also partners with the following medical education institutions to provide onsite training for their students in health related fields Florida State University College of Medicine, Lake Erie College of Osteopathic Medicine, University of West Florida, Pensacola State College, Virginia Medical College, Jefferson Davis Community College, Pensacola Christian College, and Escambia County School District Health Academy Women's Health The Sacred Heart Women's Center provides low-cost OB/GYN services to more than 2,400 uninsured or underinsured patients annually The center is staffed by 12 full-time medical residents in conjunction with board-certified high-risk pregnancy and gynecologic oncology physicians 14 residents serve at Sacred Heart Hospital of Pensacola in first, second and third year internal medicine programs The pediatric program has 24 residents in general and sub specialty fields Coalition Building Sacred Heart Health System participates with other community building agencies such as Bay Area Works, Poverty Solutions of Escambia County, Business Leaders' Network and the Able Trust, United Way, Catholic Charities, and the Pensacola Bay Area Chamber of Commerce for jobs creation, training, and the elimination of generational poverty Health Screenings Through Mission in Motion, a mobile health screening service which visits sites that travels throughout Northwest Florida and Southwest Alabama, Sacred Heart provided free health screenings to the poor, children, elderly, and uninsured or under insured Services for adults include screening for blood pressure, anemia, blood sugar, cholesterol, glaucoma, and osteoporosis screenings A total of 2,744 adults received health screenings Services for children include free physical exams by a physician, and screenings for hearing, vision, and blood pressure A total of 610 children were screened Children's Health A Center for Medicaid/Medicare funded 2-year grant was awarded to Sacred Heart Health System in 2011 with the objective of increasing and retaining children under the age of 19 in Florida's CHIP or other sources of public funded health insurance coverage The grant provides for one-on-one assistance to parents, grandparents and guardians in understanding their options and enrolling in the Florida KidCare program A community-health worker will be available to help families in Escambia, Santa Rosa, Okaloosa, Walton, Gulf and Franklin Counties In Walton County for example, 267 families received counseling assistance from trained community based navigators with 213 children being enrolled Support Groups Sacred Heart facilitates the meetings of support groups for patients and families coping with the following health problems obesity, breast cancer, cancer, prostate cancer, children with attention deficit disorders, heart disease, parents of multiples, and osteoporosis On a monthly basis, Sacred Heart held community blood drives at a variety of Sacred Heart locations to support One Blood, Inc the regional blood center provider Camps Sacred Heart's Miracle Camp hosted overnight, multi-day camping retreats for adults and children who have been diagnosed with chronic and critical illnesses Camps include the biannual adult Camp Bluebird which served more than 80 persons with various cancers Pediatric patients with diseases such as cancer, diabetes, arthritis, asthma, and cardiovascular were also served A camp for overweight and obese children was established in FY13 Helping persons achieve and maintain a healthy weight is a goal selected by members of the healthcare community based on the CHNA A variety of other day retreats for diseases such as sickle cell anemia are held throughout the year Over 130 children were served at these camps Physician Recruitment Sacred Heart Health System is actively engaged in physician and physician extender recruitment for underserved communities Physician recruitment includes primary care as well as subspecialty physicians Recruitment placement is based on unmet community needs, high priority health status indicators, and federally designated manpower shortages Much of the Health System's service area is rural Sacred Heart Health System provides registered nurses to provide health services instruction to South Walton County High School Students through the South Walton Institute of Medical Sciences The associates are responsible to teach, supervise and evaluate assigned students Instructors provide education and training for approximately 300 students per year This free service benefits the broader community by training allied health care providers targeted for the medically underserved population in the community AIDS and HIV Services Sacred Heart Hospital in Pensacola is proud to work with Lutheran Services to provide the Ryan White Title II Case Management Program, serving those in our community living with AIDS and the HIV virus Our program is designed to provide comprehensive information and assistance to clients and their families in areas including outpatient medical care, dental care, mental health services, and medications Thr

Identifier	ReturnReference	Explanation
		Part III, Line 4 The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year The Health Ministry has not experienced material changes in write-off trends and has not materially changed its charity care policy since June 30, 2012
		Part III, Line 8 Ascension Health and related health ministries follow the Catholic Health Association (CHA) guidelines for determining community benefit CHA community benefit reporting guidelines suggest that Medicare shortfall not be treated as community benefit The cost to charge ratio method is used in determining the shortfall

Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization has a written debt collection policy that also includes a provision on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance If a patient qualifies for charity or financial assistance certain collection practices do not apply
Sacred Heart Hospital		Part V, Section B, Line 3 The CHNA process was facilitated by Partnership for a Healthy Community (PFAHC), a nonprofit tax-exempt organization whose mission is to sponsor community health status assessments for the two counties and to support and promote collaborative initiatives that address priority health problems In addition to PFAHC, Sacred Heart Health System, Baptist Health Care ("BHC"), and Escambia Community Clinics ("ECC"), a federally qualified health center, were lead organizations and funders of the CHNA process Senior leadership from Sacred Heart, BHC, Florida Department of Health-Escambia County and the University of West Florida also served as members of a PFAHC workgroup that designed the CHNA process, assimilated the results and provided recommendations to the PFAHC Board of Directors PFAHC's Board of Directors provided oversight and input throughout the development of the assessment and establishment of priority health needs PFAHC board members include health care providers, business, public health, education, community organizations, and advocates who serve minority, low-income and disadvantaged populations A list of the PFAHC Board of Directors is provided in Attachment B of CHNA The results of the assessment were reviewed with the Boards' of the four sponsoring organizations In December 2012, a Community Forum was also held to share and discuss the results of the assessment with the public Announcements and invitations to attend the Community Forum were distributed by email from an extensive database that had been developed and used during the previous community health needs assessments conducted by PFAHC, supplemented with additional contacts provided by the sponsoring organizations Local media were also notified and were present at the Community Forum Approximately 75 people representing community constituencies attended the Forum In addition, the Forum was recorded for public viewing on the PFAHC website (www.pfahc.org) A list of organizations represented at the Community Forum is provided in Attachment C of CHNA

Identifier	ReturnReference	Explanation
Sacred Heart on the Emerald Coast		Part V , Section B, Line 3 The CHNA process was led by Florida Department of Health - Walton County (WCHD), with active participation by the area's two hospitals, community organizations and private and public agencies which collectively comprise the Walton County Community Health Improvement Partnership (WCHIP) The CHNA process included WCHIP meetings, a community survey, and a Health Summit comprised of Walton County residents and members of the health provider community More than 100 people representing 50 different community agencies and organizations and the general public participated in various meetings throughout the process In addition, 92 Walton County residents completed a community survey to provide information about perceptions of the health of the community, its residents, and the health care system To ensure input from persons with a broad knowledge of the community, email notifications and invitations were sent to more than 270 stakeholders and representatives of the public Meetings were also announced following Florida public notice requirements and sent to media distribution lists, including local radio, newspaper, and television stations
Sacred Heart Hospital on the Gulf		Part V , Section B, Line 3 The CHNA was led by the Florida Department of Health Gulf County (GCHD), in collaboration with SHHG, community organizations and agencies from Gulf County, and interested organizations from neighboring Franklin County Key participants included SHHG, Gulf County Emergency Operations Center, Bay, Gulf, and Franklin County Healthy Start Coalitions, Florida Department of Health-Franklin County, Tobacco Prevention Program, Teen Outreach Program, and several faith-based organizations The CHNA process included focus groups, workshops, a community survey, and several forums with Gulf County residents To ensure input from persons with a broad knowledge of the community, notices of all meetings were placed in the local newspaper and through radio advertisement In addition, invitations to meetings and forums where specific organizational input was needed were sent by regular mail, followed by email reminders Notices were also sent to an extensive distribution list of community leaders and the media A total of 346 Gulf County residents completed a Community Health Survey about perceptions of the health of the community, its residents, and the health care system An additional 17 community members participated in focus groups to assess perceptions about health care quality and access A forum of 27 community representatives identified strengths, weaknesses, opportunities, and threats within the Gulf County health care system Finally, the CHNA process concluded with a workshop to identify strategic priorities and goals for health improvement activities The workshop was facilitated by Quad R, a consulting firm experienced in leading community health improvement projects

Identifier	ReturnReference	Explanation
Sacred Heart Hospital		Part V, Section B, Line 4 The needs assessment was conducted with following additional hospital facilities - Partnership for a Healthy Community- Baptist Health Care - Escambia Community Clinics
Sacred Heart on the Emerald Coast		Part V, Section B, Line 4 The needs assessment was conducted with in collaboration with the Florida Department of Health -Walton County

Identifier	ReturnReference	Explanation
Sacred Heart Hospital on the Gulf		Part V, Section B, Line 4 The CHNA was led by the Florida Department of Health Gulf County (GCHD), in collaboration with SHHG, community organizations and agencies from Gulf County, and interested organizations from neighboring Franklin County Key participants included SHHG, Gulf County Emergency Operations Center, Bay, Gulf, and Franklin County Healthy Start Coalitions, Florida Department of Health-Franklin County, Tobacco Prevention Program, Teen Outreach Program, and several faith-based organizations
Sacred Heart Hospital		Part V, Section B, Line 7 There were three prioritized needs identified in the CHNA, of which Sacred Heart Hospital of Pensacola will not address one need Sacred Heart Hospital of Pensacola is not directly involved in the Obesity priority because there is already a community coalition of providers focused on childhood obesity and there are other community assets with a mission or the facilities to improve physical activity Sacred Heart Hospital of Pensacola will, however, continue to be a member of the Community Garden Coalition and maintain a community garden on its campus to improve access to healthy foods for its associates and to donate excess foods to Manna Food Pantries for those who are needy

Identifier	ReturnReference	Explanation
Sacred Heart Hospital on the Gulf		Part V, Section B, Line 7 There were four prioritized needs identified in the CHNA, of which SHHG will not address two needs SHHG will not address the Economic Health priority, as that priority is focused on improved efforts by government and economic development organizations to attract funds and jobs to the community to build economic well-being and infrastructure However, SHHG is a major employer that brought 125 new jobs to the community with its opening and will continue to be an advocate for economic development in the community as appropriate SHHG will also not address the Social/Mental Health priority The Florida Department of Health - Gulf County provides mental health counseling services and Life Management Services of Northwest Florida provides outpatient substance abuse services These community resources will be lead organizations for this priority SHHG will, however, collaborate to improve awareness of these resources and to advocate for expanded service capabilities in the community
Sacred Heart Hospital		Part V, Section B, Line 14g Signs are posted in waiting rooms and at the admissions offices to notify patients that the hospital has a financial assistance policy In addition, every billing statement, the Hospital's website, and admission packets include information regarding the financial assistance policy The policy is provided at the request of the patient

Identifier	ReturnReference	Explanation
Sacred Heart on the Emerald Coast		Part V, Section B, Line 14g Signs are posted in waiting rooms and at the admissions offices to notify patients that the hospital has a financial assistance policy In addition, every billing statement, the Hospital's website, and admission packets include information regarding the financial assistance policy The policy is provided at the request of the patient
Sacred Heart Hospital on the Gulf		Part V, Section B, Line 14g Signs are posted in waiting rooms and at the admissions offices to notify patients that the hospital has a financial assistance policy In addition, every billing statement, the Hospital's website, and admission packets include information regarding the financial assistance policy The policy is provided at the request of the patient

Identifier	ReturnReference	Explanation
Sacred Heart Hospital		Part V , Section B, Line 18e Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy Sacred Heart Health System does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy Reasonable efforts taken include but are not limited to - Notifying individuals of the financial assistance policy on admission- Notifying individuals of the financial assistance policy prior to discharge- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
Sacred Heart on the Emerald Coast		Part V , Section B, Line 18e Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy Sacred Heart Health System does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy Reasonable efforts taken include but are not limited to - Notifying individuals of the financial assistance policy on admission- Notifying individuals of the financial assistance policy prior to discharge- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy

Identifier	ReturnReference	Explanation
Sacred Heart Hospital on the Gulf		Part V, Section B, Line 18e Question 18 is more appropriately answered as not applicable as the Billing and Collections Policy Sacred Heart Health System does not allow a hospital to engage in extraordinary collection actions before the organization made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy Reasonable efforts taken include but are not limited to - Notifying individuals of the financial assistance policy on admission- Notifying individuals of the financial assistance policy prior to discharge- Notifying individuals of the financial assistance policy in communications with the patients regarding the patients' bills- Documenting its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
		Part VI, Line 2 The Comprehensive Community Health Needs Assessment (CHNA) provides the general public as well as policy leaders with data and information on the health status of the population and existing resources to address health issues and was conducted in collaboration with the Partnership for a Healthy Community (Sacred Heart Hospital in Pensacola), the Walton County Health Improvement Partnership and the Florida Department of Health-Walton County (Sacred Heart Hospital on the Emerald Coast), and the Florida Department of Health-Gulf County (Sacred Heart Hospital on the Gulf) The CHNA also contains plans for Sacred Heart Health System to sustain and develop new community benefit programs that address prioritized needs from the study The community enjoys a rich history of cooperation as Sacred Heart Health System and Baptist Health Care have jointly-sponsored four assessments of Escambia and Santa Rosa Counties in Northwest Florida since 1995 The studies have been widely used by the two competing organizations and many other health care providers in the market area to develop plans for addressing priority health needs The partnership study conducted by Florida HealthTrac provides current and trended data on 234 health indicators for Escambia County and 233 for Santa Rosa County The study reports data at county and zip code levels, and includes comparisons to peer counties in the State of Florida, as well as at the national level The study also incorporates key demographic and socioeconomic data, and data on lifestyle/behavioral risk factors that impact health status The assessment tool enables Sacred Heart Health System the ability to track community health needs on an annual basis as it is aggregated from various sources within the State of Florida constantly updated in real time Studies of Walton and Gulf Counties continue to bear evidence of similar health outcomes as those experienced in Escambia and Santa Rosa Counties Florida ranks near the bottom nationally for public and preventative health funded outlays Walton County is designated as a primary care health professional shortage population and a medically underserved population for low-income persons Health priorities for Escambia/Santa Rosa include smoking cessation, attaining and maintaining a healthy weight, and access/care navigation The priorities for Walton County include healthy behaviors, preventative care and health resource awareness Gulf County priorities include a healthy economy, health and care management resources, and mental health

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Financial counselors assist individuals who do not have insurance to qualify for Medicaid, SCHIP, and other programs Counselors are trained not only in the policy, program and form processes, but also to respond with compassion, understanding and sensitivity toward persons living in poverty These services are available at established patient encounter locations such as pre-registration, registration, admissions and discharge, or at any other time requested along the continuum of patient care Further, trained counselors may assist with charity care or discount care based on the patient's personal income, their assets, and the size of their medical services bill Self-pay patients are granted a 40 % discount applied to their total charges A summary of financial assistance services, policies and programs are found on the health system website, posted predominately in key areas and made available through brochures A Guide to your Hospital Bill outlines payment and assistance options and it can be found in most areas of the hospital including admitting, emergency department, and diagnostic services
		Part VI, Line 4 Sacred Heart Health System provides primary, secondary, and tertiary health care services to residents of the communities we serve This includes the greater Pensacola MSA consisting of Escambia and Santa Rosa Counties, and Okaloosa, Walton, Bay, Gulf and Franklin Counties in Northwest Florida and Baldwin and Escambia counties in Southwest Alabama There is special emphasis on service to the poor and those most in need The System includes the flagship 458 beds medical, surgical acute care hospital in Pensacola, Florida Housed within the Pensacola facility is the 119 bed Children's Hospital, the only one in Northwest Florida Sacred Heart Hospital on the Emerald Coast is a 58 bed medical surgical hospital located in Miramar Beach, Florida Sacred Heart Hospital of the Gulf is a 25 bed medical surgical hospital located in Port St Joe, FL In 2013, Sacred Heart Health System entered into a joint venture with LHP Hospital Group, Inc to operate 323-bed Bay Medical Sacred Heart located in Panama City, Florida The regional referral center serves Bay County and surrounding communities

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Sacred Heart Health System provides many community benefits such as social services, pastoral care, community meeting space, and health education, all at no charge SHHS has an open medical staff with privileges available to all qualified physicians in the area The system is governed by a body of SHHS leaders with independent persons, representative of the community, comprising a majority of the board It also engages in medical or scientific research programs and in the training and education of health care professionals Other facilities and programs that promote the health of the community include a Pediatric Medical Clinic and a Pediatric Dental Clinic which provide services to low income children, and an adult dental clinic for emergency care The Seton Center for Obstetrics and Gynecology provides services to low-income women eligible for Medicaid
		Part VI, Line 6 Sacred Heart Health System, Inc and Subsidiaries (the Health Ministry) is a member of Ascension Health In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St Vincent de Paul in the United States, St Louise Province, the Congregation of St Joseph, the Congregation of the Sisters of St Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province American Province, and the Sisters of the Sorrowful Mother of the Third Order of St Francis of Assisi US/Caribbean Province The Health Ministry's principal operations consist of three nonprofit acute care hospitals Sacred Heart Hospital located in Pensacola, Florida, Sacred Heart Hospital on the Emerald Coast, located in Destin, Florida, and Sacred Heart Hospital on the Gulf, located in Port St Joe, Florida The Health Ministry also owns and operates other health care related entities, including a nursing facility and physicians' medical group The Health Ministry provides inpatient, outpatient, and emergency care services for residents of northwest Florida Admitting physicians are primarily practitioners in the local area The Health Ministry is related to Ascension Health's other sponsored organizations through common control Substantially all expenses of Ascension Health are related to providing health care services The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care that sustains and improves the health of the individuals and communities it serves In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs - Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured - Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons - Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome - Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research Discounts are provided to all uninsured patients, including those with the means to pay Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs The cost of providing care to persons living in poverty and community benefit programs is estimated by reducing charges foregone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care The amount of traditional charity care provided, determined on the basis of cost, was approximately \$14,087 thousand and \$17,414 thousand for the years ended June 30, 2013 and 2012, respectively

Additional Data

Software ID:

Software Version:

EIN: 59-0634434

Name: Sacred Heart Health System Inc

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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?

26

Name and address	Type of Facility (describe)
Sacred Heart Occ Hlth Strategies 6665 Pensacola Blvd Pensacola, FL 32505	Help employers to gain control over healthcare expenses
Sacred Heart Pediatric Care Center 1675 Trinity Drive Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Sacred Heart Cardiac Rehab Center 1601 Airport Blvd Pensacola, FL 32501	Help employers to gain control over healthcare expenses
Sacred Heart Pulmonary Rehab Center 1601 Airport Blvd Pensacola, FL 32501	Help employers to gain control over healthcare expenses
Seton Center for OBGYN 5045 Carpenters Creek Dr Pensacola, FL 32503	Help employers to gain control over healthcare expenses
Outpatient Laboratories 1549 Airport Blvd Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Outpatient Rehabilitation Centers 4406 N Davis Hwy Pensacola, FL 32503	Help employers to gain control over healthcare expenses
Sacred Heart Medical Park-Pace 3754 Hwy 90 Pace, FL 32571	Help employers to gain control over healthcare expenses
Sacred Heart Medical Park-Airport 1549 Airport Blvd Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Sacred Heart Urgent Care 6665 Pensacola Blvd Pensacola, FL 32505	Help employers to gain control over healthcare expenses
Laboratory Services 5151 N 9th Ave Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Laboratory Services 4511 N Davis Hwy Pensacola, FL 32503	Help employers to gain control over healthcare expenses
Laboratory Services 400 Milestone Blvd Cantonment, FL 32533	Help employers to gain control over healthcare expenses
Laboratory Services 3754 El Rito Drive Panama City Beach, FL 32407	Help employers to gain control over healthcare expenses
Laboratory Services Sorrento Road Pensacola, FL 32507	Help employers to gain control over healthcare expenses
Rehab Center 4929 Mobile Hwy Pensacola, FL 32526	Help employers to gain control over healthcare expenses
Rehab Center 3754 Hwy 90 Pace, FL 32571	Help employers to gain control over healthcare expenses
Rehab Center 3408 Santa Rosa Dr Gulf Breeze, FL 32563	Help employers to gain control over healthcare expenses
Rehab Center 13137 Sorrento Road Pensacola, FL 32507	Help employers to gain control over healthcare expenses
Occupational Health Strategies 4412 N Davis Hwy Pensacola, FL 32503	Help employers to gain control over healthcare expenses
Ann L Baroco Center for Women's Hlth 5375 N 9th Ave Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Sacred Heart Pharmacy 5149 N 9th Ave Pensacola, FL 32514	Help employers to gain control over healthcare expenses
Regional Perinatal Center 5153 N 9th Ave Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Surgical Weight Loss Center 5149 N 9th Ave Pensacola, FL 32514	Help employers to gain control over healthcare expenses
Sacred Heart Cancer Center 1545 Airport Blvd Pensacola, FL 32504	Help employers to gain control over healthcare expenses
Pace Surgery Center 3754 Hwy 90 Pace, FL 32571	Help employers to gain control over healthcare expenses

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
Sacred Heart Health System Inc

Employer identification number
59-0634434

Part I

General Information on Grants and Assistance

- 1

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

☐ Yes ☒ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

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

13

3

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

1

Part III

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

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

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

Software ID:

Software Version:

EIN: 59-0634434

Name: Sacred Heart Health System Inc

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
The Nemours Foundation 10140 Centurion Pkwy N Jacksonville,FL 32256	59-0634433	501(c)(3)		1,000,000			General Purpose
Escambia Community Clinics Inc2200 N Palafox St Pensacola,FL 32501	59-3105246	501(c)(3)		562,500			General Purpose

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Destin Charity Wine Auction Foundation215 Grand Blvd Ste 101 Miramar,FL 32550	20-4475403	501(c)(3)		40,000			General Purpose
Hope Medical Clinic150 Beach Drive Destin,FL 32541	26-3811078	501(c)(3)		39,750			General Purpose

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Daughters of Charity Fund 4330 Olive St St Louis,MO 63108	26-2695526	501(c)(3)		20,000			General Purpose
Hospice Covenant5041 N 12 Ave Pensacola,FL 32504	59-2208300	501(c)(3)		20,000			General Purpose

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Cancer Society Midwest Division5401 Corporate Woods Dr 100 Pensacola,FL 32504	41-0724036	501(c)(3)		18,500			General Purpose
American Heart Association PO Box 4002900 Des Moines,IA 50430	13-5613797	501(c)(3)		18,000			General Purpose

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Pensacola Blue WahoosPO Box 12587 Pensacola,FL 32591	59-3213644			12,000			General Purpose
Catholic Charities1815 N 6th Ave Pensacola,FL 32503		501(c)(3)		10,000			General Purpose

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Florida Panhandle Breast Cancer AssocPO Box 10695 Pensacola,FL 32524	65-1204207	501(c)(3)		8,000			General Purpose
YMCA of Northwest Florida 414-8 N Tarragona St Pensacola,FL 32501	59-0624465	501(c)(3)		6,500			General Purpose

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Walton County Chamber-Santa Rosa63 South Centre Trail Santa Rosa,FL 32459	59-0568662	501(c)(6)		5,975			General Purpose
Autism Pensacola IncPO Box 30213 Pensacola,FL 32503	11-3643957	501(c)(3)		5,499			General Purpose

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
Sacred Heart Health System Inc

Employer identification number
59-0634434

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

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
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
Supplemental Information	Part III	Part I, Line 4a Severance Payments - Patrick Madden - \$421,880
Supplemental Information	Part III	Part I, Line 4b Eligible executives participate in a program that provides for supplemental retirement benefits. The payment of benefits under the program, if any, is entirely dependent upon the facts and circumstances under which the executive terminates employment with the organization. Benefits under the program are unfunded and non-vested. Due to the substantial risk of forfeiture provision, there is no guarantee that these executives will ever receive any benefit under the program. Any amount ultimately paid under the program to the executive is reported as compensation on Form 990, Schedule J, Part II, Column B in the year paid. Buddy Elmore - \$46,505 Carol Schmidt - \$101,535 Karen Emmanuel - \$39,406 Roger Hall - \$43,530 James Ward - \$30,439 Peter Heckathorn - \$75,824 Michael Brown - \$37,601 Laura Kaiser - \$142,948 Patrick Madden - \$75,782 Susan Davis - \$104,681. The salaries of the individuals listed in Schedule J, Part II, contributed to the supplemental nonqualified retirement plan in the amount as noted - Susan Davis - \$900,188.

Software ID:
 Software Version:
 EIN: 59-0634434
 Name: Sacred Heart Health System Inc

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				
Susan L Davis RN	(i)	0	0	0	0	0	0	0
	(ii)	807,402	599,993	46,054	921,992	33,595	2,409,036	104,681
Buddy Elmore	(i)	405,623	144,963	134,223	5,000	23,971	713,780	46,505
	(ii)	0	0	0	0	0	0	0
Carol Schmidt	(i)	228,993	209,786	159,986	4,450	9,587	612,802	101,535
	(ii)	0	0	0	0	0	0	0
Carol Whittington	(i)	306,561	110,311	53,413	5,000	22,107	497,392	0
	(ii)	0	0	0	0	0	0	0
James Ward MD	(i)	354,558	125,514	80,637	5,000	35,756	601,465	30,439
	(ii)	0	0	0	0	0	0	0
Karen Emmanuel	(i)	288,704	61,522	95,209	5,000	10,598	461,033	39,406
	(ii)	0	0	0	0	0	0	0
Roger Hall	(i)	284,125	95,463	103,952	5,000	18,757	507,297	43,530
	(ii)	0	0	0	0	0	0	0
Peter Heckathorn	(i)	391,300	139,830	185,851	5,000	23,597	745,578	75,824
	(ii)	0	0	0	0	0	0	0
Michael Brown MD	(i)	280,794	60,543	68,553	5,000	22,147	437,037	37,601
	(ii)	0	0	0	0	0	0	0
Dana N Bledsoe	(i)	303,859	109,605	22,484	4,151	22,945	463,044	0
	(ii)	0	0	0	0	0	0	0
Stephanie J Duggan MD	(i)	368,292	183,382	30,510	0	40,486	622,670	0
	(ii)	0	0	0	0	0	0	0
Laura A Irwin	(i)	194,394	42,006	111,725	4,253	19,332	371,710	101,816
	(ii)	0	0	0	0	0	0	0
Ava D Lancaster	(i)	164,076	37,126	89,244	3,529	10,312	304,287	37,268
	(ii)	0	0	0	0	0	0	0
Henry E Roberts	(i)	211,406	45,073	58,595	4,532	7,772	327,378	14,058
	(ii)	0	0	0	0	0	0	0
Laura S Kaiser	(i)	158,584	0	259,973	2,165	4,949	425,671	142,948
	(ii)	0	0	0	0	0	0	0
Patrick Madden	(i)	0	0	496,200	0	869,422	1,365,622	75,782
	(ii)	0	0	0	0	0	0	0

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization Sacred Heart Health System Inc	Employer identification number 59-0634434
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Greenhut Construction	A Board Member at SHHS is President	9,538,129	Construction Svc		No
(2) CNM LLC	A Board Member at SHHS is Owner	279,246	Building Lease		No
(3) Emmanuel Sheppard and Condon	A Board Member at SHHS is Partner	167,215	Legal Services		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule L, Part IV	Business Transactions Involving Interested Persons	All transactions reported on Part IV are reported at arms-length for fair market value

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 Sacred Heart Health System Inc	Employer identification number 59-0634434
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Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 2	
	Form 990, Part VI, Section A, line 6	Sacred Heart Health System, Inc has a single corporate member, Ascension Health
	Form 990, Part VI, Section A, line 7a	Sacred Heart Health System, Inc has a single corporate member, Ascension Health, who has the ability to elect members to the governing body of the Sacred Heart Health System, Inc
	Form 990, Part VI, Section A, line 7b	Ascension Health has designed a system authority matrix which assigns authority for key decisions that are necessary in the operation of the system Specific areas that are identified in the authority matrix are new organizations & major transactions, governing documents, appointments/removals, evaluation, debt limits, strategic & financial plans, assets, system policies & procedures These areas are subject to certain levels of approval by Ascension per the system authority matrix
	Form 990, Part VI, Section B, line 11	Management, including certain officers, works diligently to complete the Form 990 and attached schedules in a thorough manner Prior to filing the return, all Board Members are provided the Form 990 and management team members are available to answer any Board Members questions
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its purpose
	Form 990, Part VI, Section B, line 15	In determining compensation of the organization's CEO, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The Compensation Committee of Ascension Health reviewed and approved the CEO Compensation In the review of the compensation, the CEO was compared to other organizations that hold the same title During the review and approval of the compensation, documentation of the decision was recorded in the board minutes The individual was not present when her compensation was decided In determining compensation of other officers or key employees of the organization, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The Compensation Committee and the Board of Directors reviewed and approved the compensation In the review of the compensation, the other officers or key employees of the organization were compared to employees who hold the same title in other similar organizations regionally and nationally During the review and approval of the compensation, documentation of the decision was recorded in the board minutes Individuals were not present when their compensation was decided
	Form 990, Part VI, Section C, line 19	The organization will provide any documents open to public inspection upon request
	Form 990, Part VII, Section B	The payments reported on Form 990, Part VII, Section B for Morrison Management Specialists, Inc, Greenhut Construction, and Mickelson Construction represent amounts for both materials and services These amounts cannot be separated
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Deferred Pension Cost 1,272,192 Transfer to/from Affiliates -12,764,956 Transfer to Ascension -765,944 Other Changes in Fund Balance -1,160,284

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Sacred Heart Health System Inc

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Employer identification number

59-0634434

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) Ascension Health PO Box 45998 St Louis, MO 63145 31-1662309	National Health System	MO	501(c)(3)	Schedule A, Line 11a	Ascension Health Alliance		No
(2) Haven of Our Lady of Peace Inc 5151 N 9th Ave Pensacola, FL 32504 59-3620346	Nursing Home	FL	501(c)(3)	Schedule A, Line 9	Sacred Heart Health System Inc	Yes	
(3) Sacred Heart Foundation Inc 5151 N 9th Ave Pensacola, FL 32504 59-2436597	Foundation	FL	501(c)(3)	Schedule A, Line 7	Sacred Heart Health System Inc	Yes	
(4) Sacred Heart Health Ventures Inc 5151 N 9th Ave Pensacola, FL 32504 57-1183283	Serve as controlling entity of subsidiary organizations	FL	501(c)(3)	Schedule A, Line 11a	Sacred Heart Health System Inc	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) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Interventional Rehabilitation Center LLC 1549 Airport Blvd Suite 420 Pensacola, FL 32503 59-3673361	Medical Services	FL	Gulf Coast Diversified Inc	N/A	709,661	-100,042		No			No	51 000 %
(2) PET LLC 5149 North 9th Ave Suite 124 Pensacola, FL 32504 59-3788701	Medical Services	FL	N/A									
(3) Endoscopy Group LLC 4810 North Davis HWY Pensacola, FL 32503 59-3519881	Medical Services	FL	Gulf Coast Diversified Inc	N/A	940,945	837,603		No			No	60 000 %
(4) Gulf Region Radiation Oncology MSO LLC 5147 N 9th Ave Pensacola, FL 32504 26-1353083	Medical Management Services	FL	Sacred Heart Health System Inc	Related	485,419	7,696,491		No			No	51 000 %

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) Gulf Coast Diversified Inc 5154 N 9th Ave Pensacola, FL 32507 59-2432798	Investment	FL	Sacred Heart Health System Inc	C	3,810,904	14,386,245	100 000 %		No
(2) Gulf Region Radiation Oncology Centers Inc 8333 North Davis Hwy Pensacola, FL 32514 26-0623827	Medical Management Services	FL	Sacred Heart Health System Inc	C	3,750,403	747,706	50 000 %		No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

No

Yes

No

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Sacred Heart Foundation	S	989,009	Cost
(2) Sacred Heart Foundation	Q	208,494	Cost
(3) Haven of Our Lady of Peace Inc	S	820,457	Cost
(4) Haven of Our Lady of Peace Inc	O	6,777,255	Cost
(5) Ascension Health	R	8,579,984	Cost

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: 59-0634434
Name: Sacred Heart Health System Inc

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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Form **4562**
Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2012

Attachment
Sequence No **179**

Name(s) shown on return Sacred Heart Health System Inc	Business or activity to which this form relates	Identifying number 59-0634434
---	---	---

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost	
6				
7	Listed property Enter the amount from line 29	7		
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8		
9	Tentative deduction Enter the smaller of line 5 or line 8	9		
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10		
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12		
13	Carryover of disallowed deduction to 2013 Add lines 9 and 10, less line 12	13		

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	13,719
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? ☐ Yes ☐ No						24b If "Yes," is the evidence written? ☐ Yes ☐ No		
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

30 Total business/investment miles driven during the year (do not include commuting miles) . . .	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
31 Total commuting miles driven during the year . . .												
32 Total other personal(noncommuting) miles driven . . .												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use? . . .												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2012 tax year (see instructions)					
43 Amortization of costs that began before your 2012 tax year				43	
44 Total. Add amounts in column (f) See the instructions for where to report				44	

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

Sacred Heart Health System, Inc. and Subsidiaries –
Member of Ascension Health, a subsidiary
of Ascension Health Alliance
Years Ended June 30, 2013 and 2012
With Reports of Independent Auditors

Ernst & Young LLP



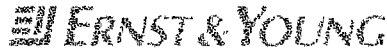
Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

The Board of Directors
Sacred Heart Health System, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Sacred Heart Health System, Inc. and Subsidiaries, which comprise the Consolidated Balance Sheets as of June 30, 2013 and 2012, and the related Consolidated Statements of Operations and Changes in Net Assets, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

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

Ernst + Young LLP

September 18, 2013

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30,	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,380	\$ 13,275
Interest in investments held by Ascension Health Alliance	—	16,165
Accounts receivable, less allowances for doubtful accounts (\$88,678 and \$71,995 in 2013 and 2012, respectively)	98,225	103,179
Current portion of assets limited as to use	4,302	2,641
Estimated third-party payor settlements	17,729	21,618
Inventories	17,650	15,777
Assets held for sale	2,859	2,050
Other	15,509	12,996
Total current assets	175,654	187,701
Assets limited as to use and other long-term investments	13,697	10,963
Interest in investments held by Ascension Health Alliance	186,990	170,047
Property and equipment, net	286,878	284,446
Other assets:		
Land held for expansion	4,702	4,702
Investment in unconsolidated entities	33,546	38,637
Other	23,394	19,524
Total other assets	61,642	62,863
Total assets	\$ 724,861	\$ 716,020

	June 30,	
	2013	2012
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 1,807	\$ 1,158
Accounts payable and accrued liabilities	57,028	55,019
Estimated third-party payor settlements	6,619	7,299
Current portion of self-insurance liabilities	1,149	1,003
Intercompany accounts payable	10,899	6,502
Total current liabilities	77,502	70,981
Noncurrent liabilities:		
Long-term debt	123,157	125,734
Self-insurance liabilities	2,850	2,686
Pension and other postretirement liabilities	13,453	16,704
Other liabilities:		
Deferred compensation	12,519	11,106
Other	27,273	19,170
Total noncurrent liabilities	179,252	175,400
Total liabilities	256,754	246,381
Net assets:		
Unrestricted:		
Controlling interest	457,393	457,514
Noncontrolling interests	1,802	2,033
Unrestricted net assets	459,195	459,547
Temporarily restricted – controlling interest	8,912	10,092
Total net assets	468,107	469,639
Total liabilities and net assets	\$ 724,861	\$ 716,020

See accompanying notes.

Sacred Heart Health System, Inc. and Subsidiaries

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

	June 30,	
	2013	2012
Operating revenue:		
Net patient service revenue	\$ 730,851	\$ 737,983
Less provision for doubtful accounts	80,351	84,118
Net patient service revenue, less provision for doubtful accounts	650,500	653,865
Other revenue	22,772	19,588
Loss from unconsolidated entities	(3,980)	(978)
Net assets released from restrictions for operations	1,921	697
Gain on sale of assets	503	—
Total operating revenue	671,716	673,172
Operating expenses:		
Salaries and wages	272,615	263,074
Employee benefits	58,459	59,521
Purchased services	53,871	48,745
Professional fees	39,736	33,248
Supplies	132,546	130,985
Insurance	2,619	3,098
Interest	5,319	6,048
Depreciation and amortization	29,458	29,096
Other	74,602	72,503
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	669,225	646,318
Income (loss) from operations before impairment, restructuring, and nonrecurring gains (losses), net	2,491	26,854
Impairment, restructuring, and nonrecurring gains (losses), net	(5,479)	19,558
(Loss) income from operations	(2,988)	46,412
Nonoperating gains (losses):		
Investment return	14,999	(2,107)
Other	(3,967)	(701)
Total nonoperating gains (losses), net	11,032	(2,808)
Excess of revenues and gains over expenses and losses	8,044	43,604
Less excess of revenues and gains over expenses and losses attributable to noncontrolling interest	(2,051)	(2,834)
Excess of revenues and gains over expenses and losses attributable to controlling interest	5,993	40,770

Sacred Heart Health System, Inc. and Subsidiaries

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

(Dollars in Thousands)

	June 30,	
	2013	2012
Unrestricted net assets, controlling interest:		
Excess of revenues and gains over expenses and losses	\$ 5,993	\$ 40,770
Pension and other postretirement liability adjustments	1,278	(18,779)
Transfers to sponsor and other affiliates, net	(10,645)	(8,378)
Net assets released from restrictions for property acquisitions	3,215	1,499
Other	38	(90)
(Decrease) increase in unrestricted net assets, controlling interest	(121)	15,022
Unrestricted net assets, noncontrolling interests:		
(Deficit) excess of revenues and gains over expenses and losses	(231)	24
(Decrease) increase in unrestricted net assets, noncontrolling	(231)	24
Temporarily restricted net assets, controlling interest:		
Contributions and grants	3,985	3,258
Net change in unrealized gains/losses on investments	10	—
Net assets released from restrictions	(5,137)	(2,195)
Other	(38)	—
(Decrease) increase in temporarily restricted net assets, controlling interest	(1,180)	1,063
(Decrease) increase in net assets	(1,532)	16,109
Net assets, beginning of year	469,639	453,530
Net assets, end of year	\$ 468,107	\$ 469,639

See accompanying notes

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	June 30,	
	2013	2012
Operating activities		
(Decrease) increase in net assets	\$ (1,532)	\$ 16,109
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,458	29,096
Provision for bad debts	80,351	84,457
Loss from unconsolidated entities	3,980	978
Interest, dividends, and net (gains) losses on investments	(14,999)	2,107
Loss (gain) on sale of assets, net	(503)	—
Impairment and nonrecurring expenses	5,479	(19,558)
Transfers to sponsor and other affiliates, net	10,645	8,378
Restricted contributions, investment return, and other restricted activity	(3,215)	(1,499)
(Increase) decrease in:		
Accounts receivable	(75,397)	(98,944)
Estimated third-party payor settlements	3,209	(7,632)
Inventories and other current assets	(3,483)	(6,772)
Investments classified as trading, including interest in investments held by Ascension Health Alliance	12,439	12,753
Other assets	(3,297)	4,307
Increase (decrease) in:		
Accounts payable and accrued liabilities	(3,470)	(5,543)
Intercompany accounts payable	4,396	6,502
Self-insurance liabilities	310	(538)
Other noncurrent liabilities	6,267	21,283
Net cash provided by operating activities	50,638	45,484

Sacred Heart Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

	June 30,	
	2013	2012
Investing activities		
Property and equipment additions, net	\$ (36,934)	\$ (33,943)
Proceeds from sale of property and equipment	1,170	—
Distributions received from unconsolidated entities	589	—
Investment in unconsolidated entities	—	(32,322)
Net cash used in investing activities	(35,175)	(66,265)
Financing activities		
Repayment of long-term debt	(1,979)	(1,103)
Transfers to sponsors and other affiliates, net	(10,594)	(8,378)
Restricted contributions, investment income, and other	3,215	1,499
Net cash used in financing activities	(9,358)	(7,982)
Net increase (decrease) in cash and cash equivalents	6,105	(28,763)
Cash and cash equivalents at beginning of year	13,275	42,038
Cash and cash equivalents at end of year	<u>\$ 19,380</u>	<u>\$ 13,275</u>

See accompanying notes

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2013

1. Organization and Mission

Organizational Structure

Sacred Heart Health System, Inc. and Subsidiaries (the Health Ministry) is a member of Ascension Health. In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries. Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province, and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

The Health Ministry's principal operations consist of three nonprofit acute care hospitals: Sacred Heart Hospital located in Pensacola, Florida; Sacred Heart Hospital on the Emerald Coast, located in Destin, Florida; and Sacred Heart Hospital on the Gulf, located in Port St. Joe, Florida. The Health Ministry also owns and operates other health care related entities, including a nursing facility and physicians' medical group. The Health Ministry provides inpatient, outpatient, and emergency care services for residents of northwest Florida. Admitting physicians are primarily practitioners in the local area. The Health Ministry is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health are related to providing health care services.

Sacred Heart Health System, Inc. and Subsidiaries

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

1. Organization and Mission (continued)

Mission

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

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

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care to persons living in poverty and

Sacred Heart Health System, Inc. and Subsidiaries

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

1. Organization and Mission (continued)

community benefit programs is estimated by reducing charges foregone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care.

The amount of traditional charity care provided, determined on the basis of cost, was approximately \$14,087 and \$17,414 for the years ended June 30, 2013 and 2012, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the Health Ministry or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation.

Investments in entities where the Health Ministry does not have operating control are recorded under the equity or cost method of accounting. For entities recorded under the equity method of accounting, the following reflects the Health Ministry's interest in unconsolidated entities in the Consolidated Balance Sheets, as well as income or loss for such entities included in the consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets:

	Investment Recorded in Consolidated Balance Sheets as of June 30,		Effect on Consolidated Excess of Revenues and Gains Over Expenses and Losses for the Year Ended June 30,	
	2013	2012	2013	2012
Destin Ambulatory Surgical Center, LLC	\$ 347	\$ 361	\$ 575	\$ 156
Escambia Clinics Holdings, Inc	475	475	—	(2)
Gulf Region Radiation Oncology, LLC	6,339	6,214	125	(401)
Bay County Health System, LLC	26,385	31,587	(4,680)	(735)
	<u>\$ 33,546</u>	<u>\$ 38,637</u>	<u>\$ (3,980)</u>	<u>\$ (982)</u>

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The Health Ministry's equity in the net income (loss) of unconsolidated entities is recorded in other operating revenue if the investment relates to providing health care services. The Health Ministry recorded \$3,980 and \$980 in other operating loss for the years ended June 30, 2013 and 2012, respectively.

The Health Ministry's equity investment in Gulf Region Radiation Oncology MSO, LLC (GRROC) does not equate to the Health Ministry's 51% ownership of GRROC's equity balance due to a difference in the cost basis and the fair market value of assets contributed. In accordance with Accounting Standards Codification (ASC) Topic 323, *Investments – Equity Method and Joint Ventures*, which codified in Accounting Principles Board (APB) Statement 18, this basis difference is being amortized over the weighted-average life of the assets contributed, net of the Health Ministry's earnings in the investment.

Use of Estimates

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Interest in Investments Held by Ascension Health Alliance, Investments, and Investment Return

Prior to April 2012, the Health Ministry held a significant portion of its investments through the Ascension Legacy Portfolio (formerly the Health System Depository, or HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated. The Ascension Legacy Portfolio investments were managed primarily by external investment managers within established investment guidelines. The value of the Health Ministry's investment in the Ascension Legacy Portfolio represented the Health Ministry's pro rata share of the Ascension Legacy Portfolio's funds held for participants.

During the year ended June 30, 2012, the CHIMCO Alpha Fund, LLC (the Alpha Fund) was created to hold primarily all investments previously held through the Ascension Legacy Portfolio. Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund. Ascension Health Alliance invests funds in the Alpha Fund on behalf of the Health Ministry. As of June 30, 2013 and 2012, the Health Ministry has an interest in investments held by Ascension Health Alliance, which is reflected in the Consolidated Balance Sheets, and represents the Health Ministry's pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund.

The Health Ministry also invests primarily in equity securities that are locally managed. Primarily all of these funds are held in the Sacred Heart Foundation, where the Health Ministry has significant beneficial interest in foundation assets.

The Health Ministry reports its interest in investments held by Ascension Health Alliance in the accompanying Consolidated Balance Sheets as short or long term, based on liquidity needs, which, prior to June 30, 2013, were directed by the Health Ministry and as of June 30, 2013, are directed by Ascension Health Alliance. The Health Ministry reports its other investments, including foundation investments in the accompanying Consolidated Balance Sheets based upon the long- or short-term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of the Health Ministry.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The Health Ministry's investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments, which are required to be recorded at fair value, are classified as trading securities and include pooled short-term investment funds; U.S. government, state, municipal, and agency obligations; corporate and foreign fixed income securities; asset backed securities; and equity securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments also include alternative investments and other investments, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participates, and the Ascension Legacy Portfolio participated, in securities lending transactions whereby a portion of its investments are loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns are comprised of dividends, interest, and gains and losses on the Health Ministry's investments, as well as the Health Ministry's return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law.

Inventories

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

Deferred Compensation

Certain executives of the Health Ministry participate in a deferred compensation plan. Total cost for the plan in 2013 and 2012 was \$453 and \$1,158, respectively. The plan assets are recorded at fair value with an offsetting noncurrent liability, included in other noncurrent liabilities on the Consolidated Balance Sheets equal to the assets.

Sacred Heart Health System, Inc. and Subsidiaries

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

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the Consolidated Balance Sheets and are comprised of the following:

	June 30,	
	2013	2012
Capitalized computer software costs	\$ 29,412	\$ 25,855
Less accumulated amortization	(22,287)	(20,135)
Total intangible assets, net	<u>\$ 7,125</u>	<u>\$ 5,720</u>

Intangible assets whose lives are definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives.

Property and Equipment

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

	June 30,	
	2013	2012
Land and improvements	\$ 50,380	\$ 49,815
Buildings and equipment	561,501	545,759
	<u>611,881</u>	<u>595,574</u>
Less accumulated depreciation	(355,261)	(329,439)
	<u>256,620</u>	<u>266,135</u>
Construction in progress	30,258	18,311
Total property and equipment, net	<u>\$ 286,878</u>	<u>\$ 284,446</u>

Sacred Heart Health System, Inc. and Subsidiaries

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

2. Significant Accounting Policies (continued)

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2013 and 2012 was \$27,231 and \$27,218, respectively.

Estimated useful lives by asset category are as follows: land improvements – 5 to 15 years; buildings – 5 to 40 years; and equipment – 5 to 15 years.

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$34,271 as of June 30, 2013.

Noncontrolling Interest

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned or controlled entities the Health Ministry controls in accordance with applicable accounting guidance. Accordingly, the Health Ministry has reflected a noncontrolling interest for the portion of net assets not owned or controlled by the Health Ministry separately on the Consolidated Balance Sheets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Health Ministry has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and contributions of property and equipment.

Sacred Heart Health System, Inc. and Subsidiaries

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

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

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

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

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods (decreased) increased net patient service revenue by approximately (\$3,514) and \$9,036 for the years ended June 30, 2013 and 2012, respectively.

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

	Year Ended June 30,	
	2013	2012
Medicare	35%	37%
Medicaid	12	13
Blue Cross	27	24
Third party	21	22
Self-pay	5	4
	100%	100%

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

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

	Year Ended June 30,	
	2013	2012
Medicare	14%	18%
Medicaid	15	19
Blue Cross	8	8
Third party	39	43
Self-pay	24	12
	100%	100%

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Health Ministry follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the Health Ministry's policies. See the Adoption of New Accounting Standards section for change in accounting presentation of allowance for doubtful accounts in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

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

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

The Health Ministry accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after the Health Ministry has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. The Health Ministry deferred revenue from Medicare incentive payments totaling \$3,783 for the year ended June 30, 2013, which is included in other noncurrent liabilities in the accompanying Consolidated Balance Sheets. The Health Ministry recognized revenue from Medicaid incentive payments after it adopted certified EHR technology. Incentive payments totaling \$3,340 and \$3,020 for the years ended June 30, 2013 and 2012, respectively, are included in total operating revenue in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Health Ministry's compliance with the meaningful use criteria is subject to audit by the federal government.

Impairment, Restructuring, and Nonrecurring Expenses

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

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

During the years ended June 30, 2013 and 2012, the Health Ministry recorded total impairment, restructuring, and nonrecurring expenses of \$5,479 and income of \$19,558, respectively. For the year ended June 30, 2013, this amount was related to changes in business operations, including reorganization and severance charges. For the year ended June 30, 2012, the impairment, restructuring, and nonrecurring gain of \$20,098 was related to a pension curtailment discussed further in Note 6. The restructuring and nonrecurring expenses of \$540 related to the termination of an information technology service contract.

Hospital or Health Ministry Income Taxes

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

Reclassifications

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

Subsequent Events

The Health Ministry evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2013, the Health Ministry evaluated subsequent events through September 18, 2013, representing the date on which the consolidated financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the consolidated financial statements. Additionally, there were no non-recognized subsequent events that required disclosure.

Sacred Heart Health System, Inc. and Subsidiaries

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

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*. This ASU requires health care entities that recognize significant amounts of patient service revenue at the time services are rendered to present the provision for doubtful accounts related to patient service revenue adjacent to patient service revenue in the Statement of Operations and Changes in Net Assets rather than as an operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for doubtful accounts are also required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011.

The Health Ministry recognizes a significant amount of patient service revenue at the time services are rendered in certain settings, such as the emergency room, even though the patient's ability to pay is not initially assessed. The Health Ministry assessed the significance of adopting this ASU at the consolidated level. The Health Ministry adopted this guidance as of July 1, 2012 and retrospectively applied the presentation requirements to all periods presented. The adoption of this guidance resulted in the reclassification of the Health Ministry's provision for doubtful accounts for the year ended June 30, 2012, decreasing total operating revenue and total operating expenses before impairment, restructuring, and nonrecurring losses, net, by \$84,118.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments

At June 30, 2013 and 2012, the Health Ministry's investments are comprised of its interest in investments held by Ascension Health Alliance and certain other investments, including investments held and managed by the Sacred Heart Foundation. Board-designated investments represent investments designated by resolution of the Sacred Heart Foundation to put amounts aside primarily for future capital expansion and improvements. Assets limited as to use primarily include investments restricted by donors. The Health Ministry's cash, cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments are reported in the accompanying Consolidated Balance Sheets as presented in the following table:

	June 30,	
	2013	2012
Cash and cash equivalents	\$ 19,380	\$ 13,275
Current portion of assets limited as to use	4,302	2,641
Assets limited as to use and other long-term investments:		
Assets limited as to use	6,003	3,514
Other long-term investments	7,694	7,449
Total assets limited as to use and other long-term investments	13,697	10,963
Other noncurrent assets	12,519	11,106
Interest in investments held by Ascension Health Alliance	186,990	186,212
Total	\$ 236,888	\$ 224,197

Sacred Heart Health System, Inc. and Subsidiaries

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

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments (continued)

The composition of cash and investments classified as cash and cash equivalents, short-term investments, board-designated investments, assets limited as to use, and other investments is summarized as follows:

	June 30,	
	2013	2012
Cash and cash equivalents	\$ 19,380	\$ 13,275
Assets limited as to use:		
Cash and current portion of pledges receivable	4,302	2,641
Noncurrent portion of pledges receivable, net	258	2,088
Long-term investments at fair value	10,392	8,875
Real property	3,047	—
Current portion of assets limited as to use, noncurrent portion of assets limited as to use, and other long-term investments	17,999	13,604
Interest in investments held by Ascension Health Alliance	186,990	186,212
Other noncurrent assets (deferred compensation assets)	12,519	11,106
Cash and cash equivalents, short-term investments, interest in investments held by Ascension Health Alliance, assets limited as to use, and other long-term investments	<u>\$ 236,888</u>	<u>\$ 224,197</u>

Sacred Heart Health System, Inc. and Subsidiaries

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

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Assets Limited as to Use and Other Long-Term Investments (continued)

As of June 30, 2013 and 2012, the composition of total Alpha Fund investments is as follows:

	June 30,	
	2013	2012
Cash, cash equivalents, and short-term investments	3.3%	4.7 %
U.S. government	24.7	32.1
Asset-backed securities	8.6	10.3
Corporate and foreign fixed income	12.0	9.0
Equity securities	17.4	13.1
Alternative investments and other investments:		
Private equity and real estate funds	5.8	5.7
Hedge funds	21.9	18.7
Commodities funds and other investments	6.3	6.4
	100.0%	100.0%

Investment return recognized by the Health Ministry is summarized as follows:

	Year Ended June 30,	
	2013	2012
Return on interest in investments held by Ascension Health Alliance and investment return in HSD	\$ 8,474	\$ 9,839
Net gains (losses) on investments reported at fair value	6,525	(11,946)
Total investment return included in nonoperating gains (losses)	\$ 14,999	\$ (2,107)

4. Fair Value Measurements

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

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

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

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

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

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

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

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

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

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

Corporate and Foreign Fixed Income Maturities

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

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Guaranteed Pooled Fund

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

As discussed in Notes 2 and 3, the Health Ministry has an interest in investments held by Ascension Health Alliance. As of June 30, 2013, 20%, 42%, and 37% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively. As of June 30, 2012, 17%, 52%, and 31% of total Alpha Fund assets that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total Alpha Fund liabilities that were measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively.

Sacred Heart Health System, Inc. and Subsidiaries

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

4. Fair Value Measurements (continued)

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

	Level 1	Level 2	Level 3	Total
June 30, 2013				
Assets limited as to use and other long-term investments:				
Equity securities	\$ 9,334	\$ —	\$ —	\$ 9,334
Corporate bonds	—	1,058	—	1,058
Deferred compensation assets, included in other noncurrent assets:				
Equity securities	8,325	—	—	8,325
Guaranteed pooled fund	—	—	4,194	4,194
Total	\$ 17,659	\$ 1,058	\$ 4,194	\$ 22,911

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

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Assets limited as to use and other long-term investments:				
Equity securities	\$ 7,461	\$ —	\$ —	\$ 7,461
Corporate bonds	—	1,413	—	1,413
Deferred compensation assets, included in other noncurrent assets:				
Equity securities	7,046	—	—	7,046
Guaranteed pooled fund	—	—	4,060	4,060
Total	\$ 14,507	\$ 1,413	\$ 4,060	\$ 19,980

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

During the years ended June 30, 2013 and 2012, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Deferred Compensation Assets
July 1, 2011	\$ 4,445
Purchases	360
Sales	(601)
Transfers into Level 3	37
Transfers out of Level 3	(181)
June 30, 2012	<u>4,060</u>
July 1, 2012	4,060
Purchases	1,640
Sales	(1,402)
Transfers into Level 3	419
Transfers out of Level 3	(523)
June 30, 2013	<u>\$ 4,194</u>

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt

Long-term debt consists of the following:

	June 30,	
	2013	2012
Intercompany debt with Ascension Health Alliance, payable in installments through 2054; interest (3.5% and 3.8% at June 30, 2013 and 2012, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	\$ 124,946	\$ 125,879
Other	18	1,013
	124,964	126,892
Less current portion	(1,807)	(1,158)
Long-term debt, less current portion	<u>\$ 123,157</u>	<u>\$ 125,734</u>

Scheduled principal repayments of long-term debt are as follows:

Year ending June 30:	
2014	\$ 1,807
2015	1,764
2016	1,486
2017	1,802
2018	1,820
Thereafter	116,285
Total	<u>\$ 124,964</u>

Certain members of Ascension Health Alliance formed the Ascension Health Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate, or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health Alliance. Though

Sacred Heart Health System, Inc. and Subsidiaries

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

5. Long-Term Debt (continued)

senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. Ascension Health Alliance may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including repayment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health Alliance with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation. The Health Ministry is a senior obligated group member under the terms of the Senior MTI.

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

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

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 39 years.

Sacred Heart Health System, Inc. and Subsidiaries

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

5. Long-Term Debt (continued)

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, is allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member.

The carrying amounts of intercompany debt with Ascension Health Alliance and other debt approximate fair value based on a portfolio market valuation provided by a third party.

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio.

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

As of June 30, 2013, the Subordinate Credit Group has a \$75,000 revolving line of credit related to its letters-of-credit program toward which a bank commitment of \$75,000 extends to November 27, 2013. As of June 30, 2013, \$49,990 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit.

The outstanding principal amount of all hospital revenue bonds is \$5,196,235, which represents 40% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at June 30, 2013.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt (continued)

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements, such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt, which can be as short as 30 days or as long as 27 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under their guarantees and other commitments at June 30, 2013 is approximately \$377,000.

During the years ended June 30, 2013 and 2012, interest paid was approximately \$5,648 and \$6,048, respectively. Capitalized interest was approximately \$329 and \$0 for the years ended June 30, 2013 and 2012, respectively.

6. Pension Plans

The Health Ministry participates in the Ascension Health Pension Plan and the Ascension Health Defined Contribution Plan. Details of these plans follow.

Ascension Health Pension Plan

The Health Ministry participates in the Ascension Health Pension Plan (the Ascension Plan), a noncontributory, defined benefit pension plan that covers substantially all eligible employees of certain System entities. Benefits are based on each participant's years of service and compensation. The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust (the Trust), a master trust consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Net periodic pension income of \$1,973 in 2013 was recognized by the Health Ministry. Net periodic pension cost of \$1,437 in 2012 was charged to the Health Ministry. The service cost component of net periodic pension cost charged to the Health Ministry is actuarially determined while all other components are allocated based on the Health Ministry's pro rata share of Ascension Health's overall projected benefit obligation.

Sacred Heart Health System, Inc. and Subsidiaries

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

6. Pension Plans (continued)

During the year ended June 30, 2012, the System approved and communicated to employees a redesign of associate retirement benefits, which affects the Ascension Plan, as well as provides an enhanced comprehensive defined contribution plan. These changes became effective January 1, 2013. These changes resulted in the Health Ministry's recognition of a nonrecurring curtailment gain of \$20,098 during the year ended June 30, 2012. These changes also resulted in one-time decreases to the projected benefit obligation of \$19,395. The projected benefit obligation is included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets.

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities. In the event participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so. As of June 30, 2013, the Ascension Plan had a net unfunded liability of \$187,362. The Health Ministry's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying Consolidated Balance Sheets at June 30, 2013 and 2012 was \$13,453 and \$16,704, respectively. As a result of updating the funded status of the Ascension Plan, Ascension Health transferred an additional pension liability of \$235 and reduction of pension liability of \$1,319 to the Health Ministry during 2013 and 2012, respectively. These transfers are included in pension and other postretirement liability adjustments in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

As of June 30, 2013 and 2012, the fair value of the Ascension Plan's assets available for benefits was \$3,849,706 and \$3,948,293, respectively. As discussed in Note 4, the Health Ministry, as well as the System, follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of June 30, 2013, 21%, 39%, and 40% of the Ascension Plan's assets that are measured at fair value on a recurring basis were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 0%, 0%, and 100% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2013. Additionally, as of June 30, 2012, 16%, 51%, and 33% of the Ascension Plan's assets that are measured at fair value on a recurring basis were categorized as Level 1, Level 2, and Level 3, respectively. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 6%, 87%, and 7% were categorized as Level 1, Level 2, and Level 3, respectively, as of June 30, 2012.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Pension Plans (continued)

Ascension Health Defined Contribution Plan

The Health Ministry participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory, defined contribution plan sponsored by Ascension Health that covers all eligible associates. There are three primary types of contributions to the Defined Contribution Plan: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increase over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in all employer contributions immediately. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was \$7,104 and \$5,025 for the years ended June 30, 2013 and 2012, respectively.

7. Self-Insurance Programs

The Health Ministry participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2013 and 2012. In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Self-Insurance Programs (continued)

Professional and General Liability Programs

The Health Ministry participates in Ascension Health's professional and general liability self-insured program, which provides claims-made coverage through a wholly owned onshore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention of \$10,000 per occurrence with no aggregate. The Health Ministry has a deductible of \$100 per claim. Excess coverage is provided through AHIL with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of \$1,333 and \$2,137 for the years ended June 30, 2013 and 2012, respectively. For the year ended June 30, 2013, the expense has been reduced by \$5,659 of excess premiums previously retained by Ascension Health's professional and general liability self-insured program, which has been returned to the Health Ministry. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are liabilities for deductibles and reserves for claims incurred but not yet reported of approximately \$3,999 and \$3,689 at June 30, 2013 and 2012, respectively.

Workers' Compensation

The Health Ministry participates in Ascension Health's workers' compensation program, which provides occurrence coverage through a grantor trust. The trust provides coverage up to \$1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of \$1,369 and \$1,428 for the years ended June 30, 2013 and 2012, respectively.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Lease Commitments

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

Year ending June 30:	
2014	\$ 9,871
2015	9,203
2016	7,194
2017	6,250
2018	5,415
Thereafter	22,700
Total	<u>\$ 60,633</u>

The Health Ministry has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancellable subleases with terms of one year or more are \$1,456.

In prior years, the Health Ministry entered into agreements to lease four parcels of land to an unrelated third party to construct and operate medical office buildings on the premises. Under the first lease, annual payments of \$51 are due from the lessee, beginning on February 1, 1999, and continuing for a 5½-year period. Beginning with the second lease year through the term of the lease, rental payments increase by an amount equal to 2.00% of the rent of the previous year. The lessee has the option to extend the term of the lease for an additional ten-year period. Under the second lease, quarterly payments of \$14 are due from the lessee, beginning on July 26, 2004, and continuing for a 7½-year period. Beginning with the 2007 lease year through and including the 2016 lease year, rental payments increase by an amount equal to 2.75% of the rent of the previous year. After the 2016 lease year, rent will increase by the lesser of 2.75% of the immediately preceding lease year or the Consumer Price Index, as defined by the lease agreement. The lessee has the option to extend the term of the lease for an additional ten-year period. Under the third lease, quarterly payments of \$15 are due from the lessee, beginning on May 1, 2002, and continuing for a 7½-year period. Beginning with the 2005 lease year through and including the 2014 lease year, rental payments increase by an amount equal to 2.75% of the

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Lease Commitments (continued)

rent of the previous year. After the 2015 lease year, rent will increase by the lesser of 2.75% of the immediately preceding lease year or the Consumer Price Index, as defined by the lease agreement. The lessee has the option to extend the term of the lease for an additional ten-year period. Under the fourth lease, quarterly payments of \$46 are due from the lessee, beginning on October 1, 2003, and continuing for a 76½-year period. Beginning with the 2005 lease year through and including the 2014 lease year, rental payments increase by an amount equal to 2.75% of the rent of the previous year. After the 2015 lease year, rent will increase by the lesser of 2.75% of the immediately preceding lease year or the Consumer Price Index, as defined by the lease agreement. The lessee has the option to extend the term of the lease for an additional ten-year period.

In addition, the Health Ministry is a lessor under certain operating lease agreements, primarily ground leases related to third-party owned medical office buildings on land owned by the Health Ministry. Future minimum rental receipts under all noncancellable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2014	\$ 1,997
2015	1,565
2016	1,493
2017	1,290
2018	1,299
Thereafter	50,408
Total	<u>\$ 58,052</u>

Rental expense under operating leases amounted to \$13,591 and \$13,421 in 2013 and 2012, respectively.

Sacred Heart Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Lease Commitments (continued)

The Health Ministry entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. The Health Ministry was considered the owner of the MOBs during construction. In addition, because these transactions (and the sales of other existing MOBs) did not qualify for sale-leaseback accounting, they were treated as financing transactions. Accordingly, the associated financing obligations of \$11,911 and \$12,040 at June 30, 2013 and 2012, respectively, are included in other noncurrent liabilities in the accompanying Consolidated Balance Sheets. These financing obligations will not result in cash payments. All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above.

9. Related-Party Transactions

The Health Ministry utilized various centralized programs and overhead services of the System or its other sponsored organizations, including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to the Health Ministry for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of the Health Ministry. Allocations are based on relevant metrics, such as the Health Ministry's pro rata share of revenues, certain costs, debt, or investments, to the consolidated totals of the System. The amounts charged to the Health Ministry for these services may not necessarily result in the net costs that would be incurred by the Health Ministry on a stand-alone basis. The charges allocated to the Health Ministry were approximately \$35,186 and \$34,260 for the years ended June 30, 2013 and 2012, respectively.

In addition to the charges discussed above, the Health Ministry made payments to the System of \$7,039 and \$7,196 for the years ended June 30, 2013 and 2012, respectively, representing the Health Ministry's share of costs to fund a System-wide information technology and process standardization project that is expected to continue through December 2015. These payments are included in transfers to sponsor and other affiliates, net, in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

During the year ended June 30, 2013, the Health Ministry transferred cash and investments of \$2,119 in support of the System's strategic initiatives.

Sacred Heart Health System, Inc. and Subsidiaries

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

9. Related-Party Transactions (continued)

Included on the accompanying Consolidated Balance Sheet in other current assets at June 30, 2013 is \$875 due from Bay County Health System, LLC related to contracted managed care services that the Health Ministry provides to Bay County. Included in other noncurrent assets is \$522 due from Bay County Health System, LLC related to the acquisition paid by the Health Ministry.

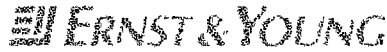
10. Contingencies and Commitments

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

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, the Health Ministry will be reviewing applicable medical records for response to the DOJ. The DOJ's investigation spans a time frame beginning in 2004 and extending through the present time. Through September 18, 2013, the DOJ has not asserted any claims against the Health Ministry. Ascension Health and the Health Ministry continue to fully cooperate with the DOJ in its investigation.

Sacred Heart Health System, Inc., Emerald Coast Radiation Oncology Center, a wholly owned subsidiary, and Gulf Region Radiation Oncology Centers, a partially owned subsidiary, are defendants in a civil lawsuit brought by the Florida Attorney General (Medicaid Fraud Control Unit), DOJ, OIG, and DOD in connection with alleged improper payments for radiation therapy services provided at Gulf Region Radiation Oncology Centers from December 2007 to present. The claim alleges violation of the False Claims Act. Tentative settlement has been reached on all claims with the exception of a whistle-blower's wrongful termination/retaliation claim. The parties are now negotiating a settlement agreement with the DOJ and the Corporate Integrity Agreement (Gulf Region Radiation Oncology Centers only) with OIG. Settlement will require the Health Ministry to pay \$2,300, \$300 of which will be structured as a loan from the Health Ministry to GRROC.

Supplementary Information



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Report of Independent Auditors on Supplementary Information

The Board of Directors
Sacred Heart Health System, Inc. and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs, the Details of Consolidated Balance Sheets, and the Details of Consolidated Statements of Operations and Changes in Net Assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 18, 2013

Sacred Heart Health System, Inc. and Subsidiaries

Schedule of Net Cost of Providing Care of Persons
Living in Poverty and Community Benefit Programs
(Dollars in Thousands)

The net cost excluding the provision for bad debt expense of providing care of persons living in poverty and community benefit programs is as follows:

	Year Ended June 30,	
	2013	2012
Traditional charity care provided	\$ 14,087	\$ 17,414
Unpaid cost of public programs for persons living in poverty	39,540	19,199
Other programs for persons living in poverty and other vulnerable persons	806	772
Community benefit programs	4,422	4,470
Care of persons living in poverty and community benefit programs	<u>\$ 58,855</u>	<u>\$ 41,855</u>

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidated Balance Sheet

June 30, 2013
(Dollars in Thousands)

	Consolidated
Assets	
Current assets	
Cash and cash equivalents	\$ 19 380
Interest in investments held by Ascension Health Alliance	–
Accounts receivable less allowances for doubtful accounts (\$88 678 in 2013)	98 225
Current portion of assets limited as to use	4 302
Estimated third-party payor settlements	17 729
Intercompany accounts receivable	–
Inventories	17 650
Assets held for sale	2 859
Other	15 509
Total current assets	175 654
Assets limited as to use and other long-term investments	13 697
Interest in investments held by Ascension Health Alliance	186 990
Property and equipment net	286 878
Other assets	
Land held for expansion	4 702
Investment in unconsolidated entities	33 546
Other	23 394
Total other assets	61 642
Total assets	\$ 724 861
Liabilities and net assets	
Current liabilities	
Current portion of long-term debt	\$ 1 807
Accounts payable and accrued liabilities	57 028
Estimated third-party payor settlements	6 619
Current portion of self-insurance liabilities	1 149
Intercompany accounts payable	10 899
Total current liabilities	77 502
Noncurrent liabilities	
Long-term debt	123 157
Self-insurance liabilities	2 850
Pension and other postretirement liabilities	13 453
Other liabilities	
Deferred compensation	12 519
Other	27 273
Total noncurrent liabilities	179 252
Total liabilities	256 754
Net assets	
Unrestricted	
Controlling interest	457 393
Noncontrolling interest	1 802
Unrestricted net assets	459 195
Temporarily restricted – controlling interest	8 912
Total net assets	468 107
Total liabilities and net assets	\$ 724 861

Reclassification/ Eliminations	Sacred Heart Hospital – Pensacola	Sacred Heart Hospital – Emerald Coast	Sacred Heart Hospital – Gulf	Sacred Heart Foundation	Other
\$ –	\$ 1,333	\$ 293	\$ 1	\$ –	\$ 17,753
–	55,272	17,099	1,740	–	24,114
–	193	141	81	3,887	–
–	14,619	2,551	517	–	42
(144,866)	29,627	51,122	30	56	64,031
–	12,819	3,337	261	–	1,233
–	–	–	–	6	2,853
(393)	3,553	506	566	69	11,208
(145,259)	117,416	75,049	3,196	4,018	121,234
–	4,196	3,225	831	5,445	–
–	150,147	3	–	–	36,840
–	136,080	42,387	31,367	13	77,031
–	4,702	–	–	–	–
–	6,814	–	–	–	26,732
–	830	724	924	7	20,909
–	12,346	724	924	7	47,641
\$ (145,259)	\$ 420,185	\$ 121,388	\$ 36,318	\$ 9,483	\$ 282,746
\$ –	\$ 999	\$ 498	\$ –	\$ 1	\$ 309
(5)	26,558	4,736	614	98	25,027
–	5,881	724	–	–	14
–	1,149	–	–	–	–
(145,254)	52,893	1,273	316	4,161	97,510
(145,259)	87,480	7,231	930	4,260	122,860
–	68,420	34,116	–	49	20,572
–	2,535	256	22	–	37
–	8,062	1,112	–	59	4,220
–	596	275	–	2	11,646
–	7,848	1,704	2,832	102	14,787
–	87,461	37,463	2,854	212	51,262
(145,259)	174,941	44,694	3,784	4,472	174,122
–	240,856	73,328	31,622	4,765	106,822
–	–	–	–	–	1,802
–	240,856	73,328	31,622	4,765	108,624
–	4,388	3,366	912	246	–
–	245,244	76,694	32,534	5,011	108,624
\$ (145,259)	\$ 420,185	\$ 121,388	\$ 36,318	\$ 9,483	\$ 282,746

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidated Balance Sheet

June 30, 2012
(Dollars in Thousands)

	<u>Consolidated</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 13 275
Interest in investments held by Ascension Health alliance	16 165
Accounts receivable less allowances for doubtful accounts (\$71 995 in 2012)	103 179
Current portion of assets limited as to use	2 641
Estimated third-party payor settlements	21 618
Intercompany accounts receivable	-
Inventories	15 777
Assets held for sale	2 050
Other	12 996
Total current assets	<u>187 701</u>
Assets limited as to use and other long-term investments	10 963
Interest in investments held by Ascension Health Alliance	170 047
Property and equipment net	284 446
Other assets	
Land held for expansion	4 702
Investment in unconsolidated entities	38 637
Other	19 524
Total other assets	<u>62 863</u>
Total assets	<u><u>\$ 716 020</u></u>
Liabilities and net assets	
Current liabilities	
Current portion of long-term debt	\$ 1 158
Accounts payable and accrued liabilities	55 019
Estimated third-party payor settlements	7 299
Current portion of self-insurance liabilities	1 003
Intercompany accounts payable	6 502
Total current liabilities	<u>70 981</u>
Noncurrent liabilities	
Long-term debt	125 734
Self-insurance liabilities	2 686
Pension and other postretirement liabilities	16 704
Other liabilities	
Deferred compensation	11 106
Other	19 170
Total noncurrent liabilities	<u>175 400</u>
Total liabilities	<u>246 381</u>
Net assets	
Unrestricted	
Controlling interest	457 514
Noncontrolling interest	2 033
Unrestricted net assets	<u>459 547</u>
Temporarily restricted – controlling interest	10 092
Total net assets	<u>469 639</u>
Total liabilities and net assets	<u><u>\$ 716 020</u></u>

Reclassification/ Eliminations	Sacred Heart Hospital – Pensacola	Sacred Heart Hospital – Emerald Coast	Sacred Heart Hospital – Gulf	Sacred Heart Foundation	Other
\$ –	\$ 891	\$ 253	\$ –	\$ –	\$ 12,131
–	1,497	1,002	–	–	13,666
–	54,525	13,249	1,201	–	34,204
1,872	159	262	83	265	–
–	17,191	3,216	1,108	–	103
(120,550)	44,485	23,881	1,978	60	50,146
–	11,624	2,847	244	–	1,062
–	–	–	–	6	2,044
(213)	2,376	554	303	870	9,106
(118,891)	132,748	45,264	4,917	1,201	122,462
(1,872)	4,953	3,483	885	3,514	–
–	129,395	12,503	–	–	28,149
–	126,063	44,818	33,582	15	79,968
–	4,702	–	–	–	–
–	475	–	–	–	38,162
–	1,263	744	1,474	5	16,038
–	6,440	744	1,474	5	54,200
\$ (120,763)	\$ 399,599	\$ 106,812	\$ 40,858	\$ 4,735	\$ 284,779
\$ –	\$ 547	\$ 272	\$ –	\$ –	\$ 339
3	23,904	6,139	817	130	24,026
–	6,503	716	58	–	22
–	1,003	–	–	–	–
(120,766)	44,187	764	1,078	657	80,582
(120,763)	76,144	7,891	1,953	787	104,969
–	69,391	34,600	–	50	21,693
–	2,413	212	25	–	36
–	10,274	1,417	–	75	4,938
–	944	251	–	–	9,911
–	3,550	279	1,745	106	13,490
–	86,572	36,759	1,770	231	50,068
(120,763)	162,716	44,650	3,723	1,018	155,037
–	231,770	58,417	36,166	3,452	127,709
–	–	–	–	–	2,033
–	231,770	58,417	36,166	3,452	129,742
–	5,113	3,745	969	265	–
–	236,883	62,162	37,135	3,717	129,742
\$ (120,763)	\$ 399,599	\$ 106,812	\$ 40,858	\$ 4,735	\$ 284,779

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets

Year Ended June 30, 2013

(Dollars in Thousands)

	Consolidated
Operating revenue	
Net patient service revenue	\$ 730 851
Less provision for doubtful accounts	80 351
Net patient service revenue less provision for doubtful accounts	650 500
Other revenue	22 772
Income (loss) from unconsolidated entities	(3 980)
Net assets released from restrictions for operations	1 921
Gain on sale of assets	503
Total operating revenue	671 716
Operating expenses	
Salaries and wages	272 615
Employee benefits	58 459
Purchased services	53 871
Professional fees	39 736
Supplies	132 546
Insurance	2 619
Interest	5 319
Depreciation and amortization	29 458
Other	74 602
Total operating expenses before impairment restructuring and nonrecurring gains (losses) net	669 225
Income (loss) from operations before impairment restructuring and nonrecurring gains (losses) net	2 491
Impairment restructuring and nonrecurring gains (losses) net	(5 479)
(Loss) income from operations	(2 988)
Nonoperating gains (losses)	
Investment return	14 999
Other	(3 967)
Total nonoperating gains net	11 032
Excess (deficit) of revenues and gains over expenses and losses	8 044
Less excess of revenues and gains over expenses and losses attributable to noncontrolling interests	(2 051)
Excess of revenues and gains over expenses and losses attributable to controlling interest	5 993
Unrestricted net assets	
Excess (deficit) of revenues and gains over expenses and losses	5 993
Pension and other postretirement liability adjustments	1 278
Transfers from (to) sponsor and other affiliates net	(10 645)
Net assets released from restrictions for property acquisitions	3 215
Other	38
Increase (decrease) in unrestricted net assets controlling interest	(121)
Unrestricted net assets noncontrolling interest	
(Deficit) excess of revenues and gains over expenses and losses	(231)
Other	—
Increase in unrestricted net assets noncontrolling interest	(231)
Temporarily restricted net assets	
Contributions and grants	3 985
Net change in unrealized gains losses on investments	10
Investment return	—
Net assets released from restrictions	(5 137)
Other	(38)
Increase (decrease) in temporarily restricted net assets	(1 180)
(Decrease) increase in net assets	(1 532)
Net assets beginning of year	469 639
Net assets end of year	\$ 468 107

Sacred Heart Eliminations		Sacred Heart Hospital – Hospital – Pensacola		Sacred Heart Hospital – Emerald Coast		Sacred Heart Hospital – Gulf		Sacred Heart Foundation		Other	
\$	–	\$	403 878	\$	110 402	\$	11 104	\$	–	\$	205 467
			40 451		17 554		1 890		–		20 456
	–		363 427		92 848		9 214		–		185 011
	(150 881)		8 076		1 316		1 225		4 635		158 401
	–		125								(4 105)
	–		611		151		1 000		–		159
	–		475		–		–		–		28
	(150 881)		372 714		94 315		11 439		4 635		339 494
	(757)		119 049		25 480		6 024		659		122 160
	–		16 538		2 629		541		71		38 680
	(495)		19 528		4 695		1 136		2		29 005
	(120 080)		81 492		16 949		4 852		364		56 159
	–		84 964		18 985		979		14		27 604
	–		1 036		272		55		–		1 256
	–		2 113		1 218		–		2		1 986
	–		15 849		4 322		2 835		3		6 449
	(26 315)		28 209		5 747		1 819		1 673		63 469
	(147 647)		368 778		80 297		18 241		2 788		346 768
	(3 234)		3 936		14 018		(6 802)		1 847		(7 274)
	–		(3 704)		(58)		–		(23)		(1 694)
	(3 234)		232		13 960		(6 802)		1 824		(8 968)
	–		11 081		478		–		1 782		1 658
	(819)		(2 754)		(92)		(10)		(69)		(223)
	(819)		8 327		386		(10)		1 713		1 435
	(4 053)		8 559		14 346		(6 812)		3 537		(7 533)
	–		–		–		–		–		(2 051)
	(4 053)		8 559		14 346		(6 812)		3 537		(9 584)
	(4 053)		8 559		14 346		(6 812)		3 537		(9 584)
	–		758		105		–		6		409
	3 234		(9 791)		(14)		2 265		(2 236)		(4 103)
	–		2 136		474		2		–		603
	819		38		–		–		–		(819)
	–		1 700		14 911		(4 545)		1 307		(13 494)
	–		–		–		–		(29)		(202)
	–		–		–		–		–		–
	–		–		–		–		(29)		(202)
	(5 787)		2 747		625		1 002		4 635		763
	–		–		–		–		10		–
	–		–		–		–		–		–
	5 787		(2 747)		(625)		(1 002)		–		(6 550)
	–		(762)		(379)		(57)		(4 627)		5 787
	–		(762)		(379)		(57)		18		–
	–		938		14 532		(4 602)		1 296		(13 696)
	–		243 981		62 163		37 135		3 717		122 643
\$	–	\$	244 919	\$	76 695	\$	32 533	\$	5 013	\$	108 947

Sacred Heart Health System, Inc. and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets

Year Ended June 30, 2012

(Dollars in Thousands)

	Consolidated
Operating revenue	
Net patient service revenue	\$ 737 983
Less provision for doubtful accounts	84 118
Net patient service revenue less provision for doubtful accounts	653 865
Other revenue	19 588
Income (loss) from unconsolidated entities	(978)
Net assets released from restrictions for operations	697
Total operating revenue	673 172
Operating expenses	
Salaries and wages	263 074
Employee benefits	59 521
Purchased services	48 745
Professional fees	33 248
Supplies	130 985
Insurance	3 098
Interest	6 048
Depreciation and amortization	29 096
Other	72 503
Total operating expenses before impairment restructuring and nonrecurring gains (losses) net	646 318
Income (loss) from operations before impairment restructuring and nonrecurring gains (losses) net	26 854
Impairment restructuring and nonrecurring gains (losses) net	19 558
Income from operations	46 412
Nonoperating gains (losses)	
Investment return	(2 107)
Other	(701)
Total nonoperating gains net	(2 808)
Excess (deficit) of revenues and gains over expenses and losses	43 604
Less excess of revenues and gains over expenses and losses	
Less excess of revenues and gains over expenses and losses attributable to noncontrolling interests	(2 834)
Excess of revenues and gains over expenses and losses attributable to controlling interest	40 770
Unrestricted net assets	
Excess of revenues and gains over expenses and losses	40 770
Pension and other postretirement liability adjustments	(18 779)
Transfers from (to) sponsor and other affiliates net	(8 378)
Net assets released from restrictions for property acquisitions	1 499
Other	(90)
Increase in unrestricted net assets controlling interest	15 022
Unrestricted net assets noncontrolling interest	
Excess of revenues and gains over expenses and losses	24
Other	—
Increase in unrestricted net assets noncontrolling interest	24
Temporarily restricted net assets	
Contributions and grants	3 258
Net change in unrealized gains losses on investments	—
Investment return	—
Net assets released from restrictions	(2 195)
Other	—
Increase (decrease) in temporarily restricted net assets	1 063
Increase (decrease) in net assets	16 109
Net assets beginning of year	453 530
Net assets end of year	\$ 469 639

Eliminations	Sacred Heart Hospital – Pensacola	Sacred Heart Hospital – Emerald Coast	Sacred Heart Hospital – Gulf	Sacred Heart Foundation	Other	
\$	–	\$ 428 292	\$ 104 922	\$ 11 479	\$ –	\$ 193 290
	–	47 641	21 029	2 546	–	12 902
	–	380 651	83 893	8 933	–	180 388
(137 293)	4 686	1 268	830	3 730		146 367
–	–	–	–	–		(978)
–	425	107	–	–		165
(137 293)	385 762	85 268	9 763	3 730		325 942
–	117 408	23 948	5 420	780		115 518
–	17 601	2 540	314	104		38 962
–	17 957	4 221	1 011	1		25 555
(111 488)	76 040	15 161	3 719	206		49 610
–	87 806	15 280	951	10		26 938
–	1 925	145	60	–		968
–	2 602	1 298	–	–		2 148
–	16 044	3 847	2 822	5		6 378
(22 796)	27 625	4 909	1 211	871		60 683
(134 284)	365 008	71 349	15 508	1 977		326 760
(3 009)	20 754	13 919	(5 745)	1 753		(818)
–	12 811	1 804	26	91		4 826
(3 009)	33 565	15 723	(5 719)	1 844		4 008
–	(2 080)	(264)	–	415		(178)
(1 163)	627	(21)	1	2		(147)
(1 163)	(1 453)	(285)	1	417		(325)
(4 172)	32 112	15 438	(5 718)	2 261		3 683
–	–	–	–	–		(2 834)
(4 172)	32 112	15 438	(5 718)	2 261		849
(4 172)	32 112	15 438	(5 718)	2 261		849
–	(14 257)	(974)	–	(138)		(3 410)
2 758	(41 254)	(10)	3 637	(1 575)		28 066
–	737	222	19	–		521
1 163	–	–	–	(1 163)		(90)
(251)	(22 662)	14 676	(2 062)	(615)		25 936
–	–	–	–	–		24
–	–	–	–	–		–
–	–	–	–	–		24
(2 665)	1 162	329	19	3 725		688
–	–	–	–	–		–
–	–	–	–	–		–
–	(1 162)	329	(20)	–		(1 342)
2 665	1 254	(158)	(55)	(3 706)		–
–	1 254	500	(56)	19		(654)
(251)	(21 408)	15 176	(2 118)	(596)		25 306
–	266 165	47 645	39 252	3 393		97 075
\$ (251)	\$ 244 757	\$ 62 821	\$ 37 134	\$ 2 797	\$	\$ 122 381

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