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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Mercy Hospital Rogers

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2710 Rife Medical Lane
Suite

City or town, state or country, and ZIP + 4
Rogers, AR 72758

D Employer identification number
71-0294390

E Telephone number
(314) 579-6100

G Gross receipts $ 177,955,310

F Name and address of principal officer
ERIC PIANALTO
2710 RIFE MEDICAL LANE
ROGERS, AR 72758

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶ 0928

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW MERCY NET

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1995 | **M** State of legal domicile AR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
AS THE SISTERS OF MERCY BEFORE US, WE BRING TO LIFE THE HEALING MINISTRY OF JESUS THROUGH OUR COMPASSIONATE CARE AND EXCEPTIONAL SERVICE

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	5
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	3
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	1,182
6	Total number of volunteers (estimate if necessary)	**6**	165
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	21,710	429,275
9	Program service revenue (Part VIII, line 2g)	154,212,501	176,138,203
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	24,594	-14,969
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	947,869	1,402,801
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	155,206,674	177,955,310
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,492	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	48,870,622	55,444,755
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	90,862,854	103,008,985
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	139,736,968	158,453,740
19	Revenue less expenses Subtract line 18 from line 12	15,469,706	19,501,570

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	203,796,910	230,492,070
21	Total liabilities (Part X, line 26)	6,288,024	13,481,614
22	Net assets or fund balances Subtract line 21 from line 20	197,508,886	217,010,456

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2014-05-09

Benny J Stover VP Finance
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶	
Firm's address ▶ 190 CARONDELET PLAZA SUITE 1300 CLAYTON, MO 63105			Phone no (314) 290-1000	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

AS THE SISTERS OF MERCY BEFORE US, WE BRING TO LIFE THE HEALING MINISTRY OF JESUS THROUGH OUR COMPASSIONATE CARE AND EXCEPTIONAL SERVICE

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 50,006,005 including grants of $) (Revenue $ 61,423,360)

INPATIENT HEALTHCARE THE HOSPITAL IS A FULL SERVICE MEDICAL FACILITY THAT PROVIDES QUALITY INPATIENT HEALTHCARE TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THE INPATIENT HOSPITAL IS LICENSED FOR 147 ACUTE BEDS AND 18 NEWBORN BEDS, FOR A TOTAL OF 165 BEDS DURING THE FISCAL YEAR ENDED JUNE 30, 2013, ACUTE DISCHARGES WERE 9,783 AND ACUTE PATIENT DAYS WERE 32,078 NEWBORN DISCHARGES WERE 1,302 AND NEWBORN PATIENT DAYS WERE 2,276

4b (Code) (Expenses $ 20,510,005 including grants of $) (Revenue $ 25,192,843)

SURGICAL SERVICES THE HOSPITAL PROVIDES A BROAD SCOPE OF SURGICAL SERVICES, ON BOTH AN INPATIENT AND AN OUTPATIENT BASIS DURING THE FISCAL YEAR ENDED JUNE 30, 2013, THE HOSPITAL PERFORMED 2,490 INPATIENT SURGERIES AND 6,398 OUTPATIENT SURGERIES

4c (Code) (Expenses $ 8,812,873 including grants of $) (Revenue $ 10,825,026)

EMERGENCY SERVICES THE HOSPITAL PROVIDES 24 HOUR EMERGENCY SERVICES, AND PROVIDES SUCH SERVICES REGARDLESS OF ABILITY TO PAY DURING THE FISCAL YEAR ENDED JUNE 30, 2013, THE HOSPITAL PROVIDED FOR 44,700 EMERGENCY VISITS OF THIS AMOUNT, 37,382 WERE TREATED AND SENT HOME, WHILE 7,318 BECAME INPATIENT ADMISSIONS

4d Other program services (Describe in Schedule O)

(Expenses $ 64,056,374 including grants of $) (Revenue $ 78,775,823)

4e **Total program service expenses** ▶ 143,385,257

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		No
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? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **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 . .	1a	1		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		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	2a	1,182		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			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? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

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 ▶BENNY J STOVER CPA 2710 Rife Medical Lane Rogers, AR (479) 338-2903

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) Bergant Paul Board member	1 0 1 0	X						0	0	0
(2) Callahan Wayne Board member	1 0 1 0	X						0	0	0
(3) Donnell Hugh G Physician & Board member	1 0 59 0	X						0	328,514	39,685
(4) Finnegan RSM Sr Chabanel Board member	1 0 34 0	X						0	0	0
(5) Street Scott Chief executive officer	30 0 30 0	X		X				0	529,683	115,769
(6) Vitiello Jonathan Chief financial officer	3 0 57 0			X				0	493,118	64,006
(7) Barclay Rick Chief operating officer	60 0 0 0				X			0	199,052	21,415
(8) Day Bradley Kim Pres Central Comm-thru 3/1/13	1 0 59 0				X			0	987,614	348,680
(9) Halstead John VP-Mission	40 0 20 0				X			0	152,406	15,864
(10) Hennessey III William Regional VP-Marketing	10 0 50 0				X			0	257,186	50,175
(11) Marion Tanya Regional VP-Human resources	3 0 57 0				X			0	232,635	43,308
(12) Merrigan Michael Regional VP-General Counsel	2 0 58 0				X			0	378,450	56,809
(13) Stewart Michele Chief operating officer	40 0 20 0				X			0	332,561	67,910
(14) Stover Benny J VP-Finance	30 0 30 0				X			0	175,634	20,594
(15) Swope Jon Pres Central Comm-start 3/1/13	2 0 58 0				X			0	758,712	230,689
(16) Treptow MD Douglas Chief of staff	60 0 0 0				X			0	430,793	36,713
(17) Dunham Robert D Director, pharmacy services	60 0 0 0					X		144,796	0	25,180

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) Gibbs Eric Clinical pharmacist	60 0 0 0					X		154,725	0	16,450
(19) Moore Richard E Clinical pharmacist	60 0 0 0					X		152,888	0	19,655
(20) Rankin Charlotte R Executive director, imaging	60 0 0 0					X		163,522	0	13,542
(21) Slaba Sean M Perfusionist	60 0 0 0					X		146,121	0	20,087
(22) Barrett Susan Former president	0 0 40 0						X	0	216,667	0
(23) Flynn George Former CEO	0 0 0 0						X	0	3,297,507	140,483
(24) Donnell Robert FORMER HIGHEST COMPENSATED	0 0 60 0						X	0	249,744	36,039
(25) Merritt James Former highest compensated	0 0 60 0						X	0	244,168	22,285
(26) Ritz Ralph Former highest compensated	0 0 60 0						X	0	241,676	21,143
(27) Wilson Cynthia R Former highest compensated	0 0 60 0						X	0	283,304	29,480
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								762,052	9,789,424	1,455,961

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 ▶ 22

		Yes	No
3 Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	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? *If "Yes," complete Schedule J for such individual*	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? *If "Yes," complete Schedule J for such person*	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
DEWITT AND ASSOC INC , PO BOX 3378 GS SPRINGFIELD MO 65808	CONSTRUCTION	1,709,876
MCCARTHY BUILDING CO , 1341 NORTH ROCK HILL ROAD ST LOUIS MO 63124	CONSTRUCTION	700,208
PINNACLE RADIOLOGY PLLC , 4500 S GARNETT STE 919 TULSA OK 74146	RADIOLOGY SERVICES	678,314
LINEN KING , 14780 S MEMORIAL BIXBY OK 74008	LINEN SERVICES	440,740
WOUND CARE CENTERS INC , PO BOX 637114 CINCINNATI OH 45263	MANAGEMENT SERVICES	436,133

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 ▶ 16

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	0			
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	397,599			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	31,676			
	g	Noncash contributions included in lines 1a-1f $		0			
	h	**Total.** Add lines 1a-1f		429,275			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	622110	176,138,203	176,138,203	0	0
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		176,138,203			
	3	Investment income (including dividends, interest, and other similar amounts)		-17,169			-17,169
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents	393,959				
	b	Less rental expenses					
	c	Rental income or (loss)	393,959	0			
	d	Net rental income or (loss)		393,959			393,959
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		2,200			
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)		2,200			
	d	Net gain or (loss)		2,200			2,200
Other Revenue	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	0			
	c	Net income or (loss) from fundraising events		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities		0			
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory		0			
		Miscellaneous Revenue	Business Code				
	11a	Cafe & Vending	900099	575,287		0	575,287
	b	Gift Shop Revenue	900099	354,706		0	354,706
	c	All other revenue	900099	78,849	78,849	0	0
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		1,008,842			
	12	**Total revenue.** See Instructions		177,955,310	176,217,052	0	1,308,983

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	0	0		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0	0		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0	0		
4 Benefits paid to or for members	0	0		
5 Compensation of current officers, directors, trustees, and key employees	0	0	0	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	82,161	82,161	0	0
7 Other salaries and wages	43,732,650	38,487,294	5,245,356	0
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,941,241	1,708,583	232,658	0
9 Other employee benefits	6,475,163	5,698,838	776,325	0
10 Payroll taxes	3,213,540	2,828,740	384,800	0
11 Fees for services (non-employees)				
a Management	0	0	0	0
b Legal	0	0	0	0
c Accounting	0	0	0	0
d Lobbying	12,432	0	12,432	0
e Professional fundraising services See Part IV, line 17	0			0
f Investment management fees	0	0	0	0
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	7,416,651	5,550,037	1,866,614	0
12 Advertising and promotion	72,299	63,642	8,657	0
13 Office expenses	3,391,356	1,975,255	1,416,101	0
14 Information technology	21,478	18,906	2,572	0
15 Royalties . .	0	0	0	0
16 Occupancy	2,448,879	2,155,642	293,237	0
17 Travel	270,782	238,358	32,424	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19 Conferences, conventions, and meetings	1,227	1,080	147	0
20 Interest	0	0	0	0
21 Payments to affiliates	0	0	0	0
22 Depreciation, depletion, and amortization	11,433,559	10,064,467	1,369,092	0
23 Insurance	320	320	0	0
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 Bad Debt	16,314,485	16,314,485	0	0
b Repair & Maintenance	2,775,342	2,443,013	332,329	0
c Shared Service fee	22,358,555	19,681,267	2,677,288	0
d Drugs & Medical Expenses	35,706,632	35,628,129	78,503	0
e All other expenses	784,988	445,040	339,948	
25 **Total functional expenses.** Add lines 1 through 24e	158,453,740	143,385,257	15,068,483	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)	0			

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		17,341,202	1	26,898,641
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	53,846
	4	Accounts receivable, net		21,548,184	4	23,948,814
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		1,558,765	7	1,320,621
	8	Inventories for sale or use		3,299,090	8	3,926,542
	9	Prepaid expenses and deferred charges		53,410	9	192,831
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 214,377,366			
	b	Less accumulated depreciation	10b 85,497,225	123,290,759	10c	128,880,141
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		36,705,500	15	45,270,634
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		203,796,910	16	230,492,070
Liabilities	17	Accounts payable and accrued expenses		6,269,290	17	13,440,828
	18	Grants payable		18,734	18	40,786
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		0	25	0
	26	**Total liabilities.** Add lines 17 through 25		6,288,024	26	13,481,614
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		197,508,886	27	217,010,456
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		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		197,508,886	33	217,010,456
	34	Total liabilities and net assets/fund balances		203,796,910	34	230,492,070

Part XI Reconcilliation 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	177,955,310
2	Total expenses (must equal Part IX, column (A), line 25)	2	158,453,740
3	Revenue less expenses Subtract line 2 from line 1	3	19,501,570
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	197,508,886
5	Net unrealized gains (losses) on investments	5	
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	
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	217,010,456

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

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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
Mercy Hospital Rogers

Employer identification number
71-0294390

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Yes	No
(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?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

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

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

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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	Employer identification number
Mercy Hospital Rogers	71-0294390

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		
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-		

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

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) Yes	(a) No	(b) 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)?		No	
c	Media advertisements?		No	0
d	Mailings to members, legislators, or the public?		No	0
e	Publications, or published or broadcast statements?		No	0
f	Grants to other organizations for lobbying purposes?		No	0
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	0
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	0
i	Other activities?	Yes		12,432
j	Total Add lines 1c through 1i			12,432
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?			

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
FORM 990, SCHEDULE C, PART II-B, LINE 1(I)	LOBBYING PORTION OF DUES	THE FILING ORGANIZATION IS A MEMBER OF AND PAYS DUES TO THE FOLLOWING HOSPITAL ASSOCIATIONS ARKANSAS HOSPITAL ASSOCIATION, AMERICAN HOSPITAL ASSOCIATION AND CATHOLIC HEALTH ASSOCIATION FOR THE YEAR ENDED JUNE 30, 2013, DUE WERE $45,773, $15,515 AND $31,001, RESPECTIVELY APPROXIMATELY 17% OF ARKANSAS HOSPITAL ASSOCIATION DUES, 23 98% OF AMERICAN HOSPITAL ASSOCIATION DUES AND 3 00% OF CATHOLIC HEALTH ASSOCIATION DUES WERE ATTRIBUTABLE TO LOBBYING ACTIVITIES PERFORMED BY THESE ASSOCIATIONS

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Hospital Rogers

Employer identification number
71-0294390

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

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

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

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

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

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

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

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

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

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

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

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

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

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

		(a) Current year	(b) Prior year	(b) (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance					
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		5,485,447		5,485,447
b Buildings		138,635,552	43,961,523	94,674,029
c Leasehold improvements		1,477,392	779,204	698,188
d Equipment		55,234,562	40,560,115	14,674,447
e Other		13,544,413	196,383	13,348,030
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				128,880,141

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

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

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

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

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

(a) Description	(b) Book value
(1) MISCELLANEOUS RECEIVABLES	121,158
(2) DUE FROM AFFILIATES	40,369,826
(3) INVESTMENT IN UNITY	91,885
(4) INVESTMENT IN DIALYSIS CENTER	2,870,285
(5) THIRD PARTY SETTLEMENTS	1,817,480
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	45,270,634

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
See Additional Data Table	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	

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
FORM 990, SCHEDULE D, PART X, LINE 2		ASC 470 FOOTNOTE THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MERCY HEALTH AND AFFILIATES DO NOT INCLUDE A FOOTNOTE TO REPORT THE ORGANIZATION'S LIABILITY FOR UNCERTAIN TAX PROVISIONS UNDER ASC 740, AS THEY ARE DEEMED IMMATERIAL FOR DISCLOSURE

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Hospital Rogers

Employer identification number
71-0294390

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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
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 eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			6,719,135		6,719,135	4 730 %
b Medicaid (from Worksheet 3, column a)			15,554,332	12,762,437	2,791,895	1 960 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			22,273,467	12,762,437	9,511,030	6 690 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			227,612		227,612	0 160 %
f Health professions education (from Worksheet 5)			37,016		37,016	0 030 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total.** Other Benefits			264,628		264,628	0 190 %
k **Total.** Add lines 7d and 7j			22,538,095	12,762,437	9,775,658	6 880 %

Part II **Community Building Activities** Complete this 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			60,456		60,456	0 040 %
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**			60,456		60,456	0 040 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
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	4,931,923		
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			
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	48,482,076		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	43,379,997		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	5,102,079		
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	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

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?
1

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Mercy Hospital Rogers 2710 Rife Medical Lane Rogers, AR 72758	X	X	X	X			X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group MERCY HOSPITAL ROGERS

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**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 *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

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

Part V Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year?
2

	Name and address	Type of Facility (describe)
1	Center for Non-Profits 1200 W Walnut Rogers, AR 72756	Home Care
2	Mercy Wound Care 1194 W Walnut Rogers, AR 72756	Wound Care
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
SCHEDULE H, PART I, LINE 6A	COMMUNITY BENEFIT REPORT	THE ORGANIZATION'S COMMUNITY BENEFIT REPORT IS PREPARED BY ITS PARENT ENTITY, MERCY HEALTH (EIN 43-1423050) SCHEDULE H, PART I, LINE 7G SUBSIDIZED HEALTH SERVICES THE ORGANIZATION DID NOT INCLUDE ANY PHYSICIAN CLINIC COSTS ON LINE 7G Form 990, Schedule H, PART I, LINE 7, Column F TOTAL EXPENSES FROM FORM 990, PART IX, LINE 25 WAS $158,453,740 THE BAD DEBT EXPENSE (CHARGES) INCLUDED IN THIS AMOUNT WAS $16,314,485 THE REMAINING EXPENSE OF $142,139,255 WAS UTILIZED FOR THE PURPOSE OF CALCULATING LINE 7, COLUMN (F) FORM 990, SCHEDULE H, PART II EXPLANATION A FULL DESCRIPTION OF OUR COMMUNITY BUILDING ACTIVITIES CAN BE FOUND IN OUR COMMUNITY HEALTH NEEDS ASSESSMENT AT WWW MERCY NET/COMMUNITY-BENEFITS FORM 990, SCHEDULE H, PART III, LINE 2 TO DETERMINE THE AMOUNT OF BAD DEBT EXPENSE, AT COST, BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENT ACCOUNTS WAS MULTIPLIED BY A RATIO OF COST TO CHARGES THE RATIO OF COST TO CHARGES USED WAS BASED ON DETAILED COST ACCOUNTING, WHERE AVAILABLE WHERE COST ACCOUNTING IS NOT AVAILABLE, COST REPORT COST TO CHARGE RATIOS WERE UTILIZED FORM 990, SCHEDULE H, PART III, LINE 3 THE FILING ORGANIZATION DETERMINED THAT THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS $0 ALTHOUGH THE CHARITY CARE POLICY REQUIRES THE PARTICIPATION OF THE PATIENT REQUESTING ASSISTANCE, WE HAVE A PROCESS UNDER PRESUMPTIVE CHARITY (REFER TO DISCLOSURE FOR PART III, #9B) TO ADDRESS ACCOUNTS FOR PATIENTS WHO DO NOT PROVIDE THE INFORMATION WE BELIEVE THAT OUR CHARITY POLICY IS COMPREHENSIVE ENOUGH TO CAPTURE ALMOST ALL PATIENTS WHO QUALIFY FOR CHARITY CARE FORM 990, SCHEDULE H, PART III, LINE 4 THE TEXT OF THE FOOTNOTE THAT IS INCLUDED IN MERCY HEALTH AND SUBSIDIARIES AUDITED FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE IS AS FOLLOWS "PATIENT ACCOUNTS THAT ARE UNCOLLECTED, INCLUDING THOSE PLACED WITH COLLECTION AGENCIES, ARE INITIALLY CHARGED AGAINST THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IN ACCORDANCE WITH COLLECTION POLICIES OF THE HEALTH SYSTEM AND, IN CERTAIN CASES, ARE RECLASSIFIED TO CHARITY CARE IF DEEMED TO OTHERWISE MEET THE HEALTH SYSTEM'S CHARITY CARE POLICY THE PROVISION FOR UNCOLLECTIBLE RECEIVABLES IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES BASED UPON THE PAYOR COMPOSITION AND AGING OF RECEIVABLES AS OF THE REPORTING DATE WITH CONSIDERATION OF THE HISTORICAL PAYMENT AND WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THESE REVIEWS ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR UNCOLLECTIBLE RECEIVABLES TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES AFTER SATISFACTION OF AMOUNTS DUE FROM INSURANCE, THE HEALTH SYSTEM FOLLOWS ESTABLISHED GUIDELINES FOR PLACING PAST-DUE PATIENT BALANCES WITH COLLECTION AGENCIES " FORM 990, SCHEDULE H, PART III, LINE 8 IT IS THE POSITION OF MERCY HOSPITAL ROGERS THAT 100% OF ANY SHORT FALL SHOULD BE TREATED AS COMMUNITY BENEFIT THIS AMOUNT REPRESENTS COST OF PROVIDING SERVICES THAT REMAIN UNCOMPENSATED TO THE PROVIDER THE UNREIMBURSED COSTS OF MEDICARE IS CALCULATED BY THE GROSS CHARGES NET OF THE COST TO CHARGE RATIO LESS ANY PAYMENTS, DEDUCTIONS OR REIMBURSEMENTS USING THE ANNUAL MEDICARE COST REPORT (CMS FORM 2552-96) FORM 990, SCHEDULE H, PART III, LINE 9B MERCY HOSPITAL ROGERS' ("MERCY'S") DEBT COLLECTION POLICY PROVIDES THAT MERCY WILL PERFORM A REASONABLE REVIEW OF EACH INPATIENT ACCOUNT BEFORE TURNING AN ACCOUNT TO A THIRD-PARTY COLLECTION AGENT AND PRIOR TO INSTITUTING ANY LEGAL ACTION FOR NON-PAYMENT, TO ASSURE THAT THE PATIENT AND PATIENT GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSISTANCE PROGRAM (E G , MEDICAID) AND DO NOT QUALIFY FOR COVERAGE THROUGH MERCY'S COMMUNITY ASSISTANCE POLICY AFTER HAVING BEEN TURNED OVER TO A THIRD-PARTY COLLECTION AGENT, ANY PATIENT ACCOUNT THAT IS SUBSEQUENTLY DETERMINED TO HAVE MET THE MERCY HOSPITAL COMMUNITY ASSISTANCE POLICY IS REQUIRED TO BE RETURNED IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO MERCY FOR APPROPRIATE FOLLOW-UP MERCY REQUIRES ITS THIRD-PARTY COLLECTION AGENTS TO INCLUDE A MESSAGE ON ALL STATEMENTS INDICATING THAT IF A PATIENT OR PATIENT GUARANTOR MEETS CERTAIN STIPULATED INCOME REQUIREMENTS, THE PATIENT OR PATIENT GUARANTOR MAY BE ELIGIBLE FOR FINANCIAL ASSISTANCE MERCY UTILIZES THE "SEARCH AMERICA" TOOL TO ENHANCE THE ABILITY TO DETERMINE CHARITY QUALIFICATION PRESUMPTIVE CHARITY WILL BE GRANTED IN SITUATIONS WHERE MERCY HOSPITAL HAS BEEN UNABLE TO OBTAIN INFORMATION FROM PATIENTS OR THE INFORMATION PROVIDED IS NOT COMPLETE ENOUGH TO MAKE A CHARITY DETERMINATION MERCY UTILIZES PRESUMPTIVE CHARITY PRIOR TO BAD DEBT PLACEMENT FOR CHARITY ADJUSTMENTS IN EXCESS OF $6,500 IN THESE CASES, MERCY UTILIZES THE SEARCH AMERICA REPORT STATUS OF "PROBABLE CHARITY" AS THE BASIS FOR ASSIGNING THE CHARITY LEVEL MERCY WILL PURSUE APPROPRIATE MEANS IN THE COLLECTION OF DELINQUENT ACCOUNTS FROM PATIENTS WITH AN ESTABLISHED ABILITY TO PAY OR AN UNWILLINGNESS TO COOPERATE IN VALIDATING ELIGIBILITY FOR FINANCIAL ASSISTANCE THESE APPROPRIATE MEANS MAY INCLUDE LEGAL ACTION CONSISTENT WITH MERCY MISSION AND VALUES ADDITIONALLY THEY MAY INCLUDE LIENS UPON REAL PROPERTY AND REASONABLE WAGE GARNISHMENTS LEGAL ACTIONS WILL GENERALLY NOT INCLUDE BANK GARNISHMENT, REPOSSESSION OF ASSETS OR FORECLOSURES TO ENFORCE SATISFACTION OF A LIEN MERCY HAS POLICIES AND PROCEDURES ESTABLISHED TO ADDRESS THE INITIATION OF LEGAL ACTION AND ANNUALLY REVIEWS COMPLIANCE WITH ALL POLICIES SCHEDULE H, PART V, LINE 3 COMMUNITY HEALTH NEEDS ASSESSMENT PLEASE REFER TO THE ORGANIZATION'S COMMUNITY HEALTH NEEDS ASSESSMENT WHICH CAN BE FOUND AT WWW MERCY NET/COMMUNITY-BENEFITS FORM 990, SCHEDULE H, PART V, LINE 20 ELIGIBILITY GUIDELINES FOR CHARITY CARE DISCOUNTS THE FEDERAL POVERTY GUIDELINES FOR INCOME ARE THE BASIS FOR DETERMINING ELIGIBILITY FOR CHARITY CARE DISCOUNTS FOR EXAMPLE, INDIVIDUALS WITH INCOMES BELOW 100% OF THE FEDERAL POVERTY GUIDELINES WILL BE ELIGIBLE FOR FREE CARE INDIVIDUALS WITH INCOMES GREATER THAN 100% OF THE FEDERAL POVERTY GUIDELINES MAY BE ELIGIBLE FOR CARE AT DISCOUNTED RATES DEPENDING ON THEIR INCOME LEVEL AND/OR THE AMOUNT DUE TO THE HOSPITAL ADDITIONAL FINANCIAL ASSISTANCE AFTER APPROPRIATE DISCOUNTS HAVE BEEN APPLIED, ARRANGEMENTS MAY BE MADE FOR AN INTEREST-FREE MONTHLY PAYMENT PLAN GENERALLY, NO PATIENT'S FINANCIAL RESPONSIBILITY WILL BE GREATER THAN 20% OF ANNUAL HOUSEHOLD INCOME OR 10% OF NET ASSETS (WHICH EVER IS GREATER), ADJUSTED TO CONSIDER AVAILABILITY OF OTHER ASSETS THAT COULD BE USED TOWARD MAKING PAYMENTS FORM 990, SCHEDULE H, PART VI, LINE 2 NEEDS ASSESSMENT MERCY HEALTH BELIEVES THAT ITS COMMUNITY HEALTH NEEDS ASSESSMENT PROCESS IS COMPREHENSIVE ENOUGH TO CAPTURE SUBSTANTIALLY ALL OF THE COMMUNITY'S NEEDS THEREFORE NO FURTHER STEPS WERE TAKEN TO IDENTIFY ADDITIONAL NEEDS FORM 990, SCHEDULE H, PART VI, LINE 3 THE FILING ORGANIZATION HAS PRINTED MATERIAL AVAILABLE AT EACH POINT OF REGISTRATION IN OUR FACILITY, IN ADDITION TO ELECTRONICALLY AVAILABILITY AT OUR WEB SITE AT MERCY NET FINANCIAL ASSISTANCE INFORMATION AS A PART OF OUR HEALING MINISTRY, THE FILING ORGANIZATION IS COMMITTED TO PROVIDING QUALITY HEALTHCARE SERVICES TO PATIENTS REGARDLESS OF THEIR FINANCIAL SITUATION WE OFFER PAYMENT ASSISTANCE FOR THOSE WHO DO NOT HAVE INSURANCE OR WHO ARE IN FINANCIAL NEED UNINSURED PATIENT DISCOUNTS A DISCOUNT FROM THE HOSPITAL'S REGULAR BILLED CHARGES WILL BE PROVIDED TO PATIENTS WHO DO NOT HAVE INSURANCE THIS INCLUDES PATIENTS WHOSE FINANCIAL SITUATION NORMALLY WOULD NOT OTHERWISE QUALIFY THEM FOR CHARITY CARE DISCOUNTS PATIENTS WITHOUT INSURANCE WHOSE FINANCIAL SITUATION QUALIFIES THEM FOR CHARITY CARE DISCOUNTS (SEE ELIGIBILITY GUIDELINES BELOW) ARE ASSISTED OR ASKED IN APPLYING FOR MEDICAID BEFORE APPLYING FOR FINANCIAL ASSISTANCE MERCY WORKS TO EXHAUST ALL EFFORTS TO COORDINATE WITH THE PATIENT TO APPLY FOR MEDICAID, BUT DOES NOT PROHIBIT CHARITY CONSIDERATIONS IF DENIED NOR APPLIED APPLICATIONS FOR CHARITY CARE DISCOUNTS WILL BE REVIEWED FOR ELIGIBILITY BASED ON THE APPLICANT'S INCOME, FAMILY SIZE, AMOUNT OF PAYMENT DUE AND AVAILABILITY OF OTHER ASSETS OR RESOURCES PLEASE NOTE THAT CARE MUST BE MEDICALLY NECESSARY TO BE CONSIDERED ELIGIBLE FOR UNINSURED PATIENT DISCOUNTS FORM 990, SCHEDULE H, PART VI, LINE 4 COMMUNITY INFORMATION MERCY HOSPITAL ROGERS' PRIMARY SERVICE AREA INCLUDES FOUR COUNTIES IN NORTHWEST ARKANSAS (BENTON, CARROLL, WASHINGTON AND MADISON) AND TWO COUNTIES IN SOUTHWEST MISSOURI (BARRY AND MCDONALD) BASED ON TRUVEN 2012 DATA, THE AREA'S POPULATION IS 549,317 20% OF THE POPULATION HAS AN AVERAGE HOUSEHOLD INCOME OF OVER $75,000 12% OF THE POPULATION IS AGE 65 AND OLDER 13% OF THE POPULA

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Hospital Rogers

Employer identification number
71-0294390

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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	☐ Housing allowance or residence for personal use		
	☑ Travel for companions	☐ Payments for business use of personal residence		
	☑ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the 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**	Yes	
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	☐ Written employment contract		
	☐ Independent compensation consultant	☐ Compensation survey or study		
	☐ Form 990 of other organizations	☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part 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**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured 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
FORM 990, SCHEDULE J, PART I, LINE 1		CHARTER TRAVEL IS PROVIDED TO CERTAIN EMPLOYEES AS AND WHEN APPROPRIATE, AND AS DEEMED NECESSARY FOR BUSINESS TRAVEL AFTER CHARTER TRAVEL APPROVAL HAS BEEN GRANTED IN ACCORDANCE WITH THE FINANCIAL JUSTIFICATION PROCESS, THE APPROVED CHARTER TRAVEL FOR BUSINESS IS A REIMBURSABLE EXPENSE WHICH IS NOT TAXABLE TO THE EMPLOYEES TRAVEL FOR COMPANIONS IS PROVIDED IN RARE INSTANCES AND IN ACCORDANCE WITH THE CO-WORKER TRAVEL AND OTHER EXPENSE POLICY AND PROCEDURES WHERE COMPANION TRAVEL HAS RESULTED IN A TAXABLE EVENT, THE EMPLOYEES ARE TAXED FOR SUCH TRAVEL LIMITED INSTANCES OF TAX GROSS-UPS MAY HAVE OCCURRED WITH RESPECT TO EXECUTIVES FORM 990, SCHEDULE J, PART I, QUESTION 3 MERCY HOSPITAL ROGERS RELIES ON A RELATED ORGANIZATION, REFER TO SCHEDULE O, PART VI, QUESTION 15A AND 15B FOR THE PROCESS THE RELATED ORGANIZATION FOLLOWS FORM 990, SCHEDULE J, PART I, QUESTION 4A THE FOLLOWING INDIVIDUAL RECEIVED A SEVERANCE PAYMENT DURING CALENDAR YEAR 2012 GEORGE FLYNN, $720,175 FORM 990, SCHEDULE J, PART I, QUESTION 4B MERCY HEALTH OFFERS SUPPLEMENTAL RETIREMENT PLANS TO CERTAIN EXECUTIVES WHICH PROVIDE BENEFITS UPON RETIREMENT BASED ON COMPENSATION, AGE AT THE TIME OF BENEFIT COMMENCEMENT, LENGTH OF SERVICE WITH THE COMPANY AND/OR ITS AFFILIATES, AND LENGTH OF TENURE IN THE PLAN THE INDIVIDUALS REPORTABLE ON THIS RETURN WHO PARTICIPATE IN THE SUPPLEMENTAL RETIREMENT PLANS INCLUDE SCOTT STREET, JONATHAN VITIELLO, BRADLEY DAY, TANYA MARION, MICHAEL MERRIGAN, WILLIAM HENNESSEY III, MICHELE STEWART, JON SWOPE, AND GEORGE FLYNN THE AMOUNT OF ALL ACCRUED BENEFITS IS INCLUDED IN COMPENSATION AMOUNTS PROVIDED IN SCHEDULE J, PART II, COLUMN (C) FORM 990, SCHEDULE J, PART I, QUESTION 7 MERCY HOSPITAL ROGERS PROVIDES A NON-FIXED BONUS PLAN FOR WHICH CERTAIN TIERS OF ITS EMPLOYEES ARE ELIGIBLE FOR FISCAL YEAR 2013 (JULY 1, 2012 - JUNE 30, 2013), PAYMENT OF ALL OR PART OF THE BONUS WAS CONTINGENT UPON ATTAINMENT OF CERTAIN FINANCIAL TARGETS PAYMENTS ARE MADE ANNUALLY IN OCTOBER FOLLOWING (I) THE CONCLUSION OF THE FISCAL YEAR AND (II) DETERMINATION OF GOAL ACHIEVEMENT BONUS OPPORTUNITIES ARE TIERED PERCENTAGES AND ARE DEPENDENT UPON THE LEADERSHIP LEVEL AND ATTAINMENT PERCENTAGE MERCY'S ATTAINMENT OF FINANCIAL GOALS IS REVIEWED BY THE EXECUTIVE COMPENSATION COMMITTEE OF MERCY HEALTH AND IS THEN TAKEN INTO ACCOUNT WHEN ANALYZING EXECUTIVE COMPENSATION FOR REASONABLENESS FORM 990, SCHEDULE J, PART II THE AMOUNT FOR GEORGE FLYNN IN COLUMN (F) IS INCLUDED IN COLUMN BIII AS OTHER REPORTABLE COMPENSATION THIS IS A PAYOUT OF THE SUPPLEMENTAL RETIREMENT PLAN AND WAS INCLUDED IN COLUMN (C) OF PREVIOUSLY FILED FORMS 990

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 71-0294390
Name: Mercy Hospital Rogers

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				
Donnell Hugh G	(I)	0	0	0	0	0	0	0
	(II)	281,391	27,018	20,105	18,710	20,975	368,199	0
Street Scott	(I)	0	0	0	0	0	0	0
	(II)	388,618	120,181	20,884	98,296	17,473	645,452	0
Vitiello Jonathan	(I)	0	0	0	0	0	0	0
	(II)	294,647	102,118	96,353	47,736	16,270	557,124	0
Barclay Rick	(I)	0	0	0	0	0	0	0
	(II)	151,314	27,703	20,035	9,853	11,562	220,467	0
Day Bradley Kim	(I)	0	0	0	0	0	0	0
	(II)	630,366	322,225	35,023	334,446	14,234	1,336,294	0
Halstead John	(I)	0	0	0	0	0	0	0
	(II)	129,542	21,848	1,016	1,158	14,706	168,270	0
Hennessey III William	(I)	0	0	0	0	0	0	0
	(II)	136,234	65,059	55,893	35,029	15,146	307,361	0
Marion Tanya	(I)	0	0	0	0	0	0	0
	(II)	137,188	70,088	25,359	28,325	14,983	275,943	0
Merrigan Michael	(I)	0	0	0	0	0	0	0
	(II)	227,959	96,337	54,154	49,389	7,420	435,259	0
Stewart Michele	(I)	0	0	0	0	0	0	0
	(II)	221,894	50,220	60,447	52,172	15,738	400,471	0
Stover Benny J	(I)	0	0	0	0	0	0	0
	(II)	130,156	25,143	20,335	5,691	14,903	196,228	0
Swope Jon	(I)	0	0	0	0	0	0	0
	(II)	481,585	249,457	27,670	212,960	17,729	989,401	0
Treptow MD Douglas	(I)	0	0	0	0	0	0	0
	(II)	320,084	35,653	75,056	19,919	16,794	467,506	0
Dunham Robert D	(I)	123,175	0	21,621	10,433	14,747	169,976	0
	(II)	0	0	0	0	0	0	0
Gibbs Eric	(I)	141,033	0	13,692	4,886	11,564	171,175	0
	(II)	0	0	0	0	0	0	0
Moore Richard E	(I)	129,624	0	23,264	4,746	14,909	172,543	0
	(II)	0	0	0	0	0	0	0
Rankin Charlotte R	(I)	129,824	14,472	19,226	7,340	6,202	177,064	0
	(II)	0	0	0	0	0	0	0
Slaba Sean M	(I)	119,362	0	26,759	5,362	14,725	166,208	0
	(II)	0	0	0	0	0	0	0
Barrett Susan	(I)	0	0	0	0	0	0	0
	(II)	216,667	0	0	0	0	216,667	0
Donnell Robert	(I)	0	0	0	0	0	0	0
	(II)	206,480	20,000	23,264	27,802	8,237	285,783	0

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				
Flynn George	(I)	0	0	0	0	0	0	0
	(II)	24,154	136,500	3,136,853	139,018	1,465	3,437,990	2,299,930
Merritt James	(I)	0	0	0	0	0	0	0
	(II)	219,790	20,000	4,378	2,829	19,456	266,453	0
Ritz Ralph	(I)	0	0	0	0	0	0	0
	(II)	177,853	20,000	43,823	8,834	12,309	262,819	0
Wilson Cynthia R	(I)	0	0	0	0	0	0	0
	(II)	251,026	20,000	12,278	9,484	19,996	312,784	0

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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
Mercy Hospital Rogers

Employer identification number
71-0294390

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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? 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) Carl Hogle	Family of key employee	82,161	Employment		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

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Hospital Rogers

Employer identification number
71-0294390

Identifier	Return Reference	Explanation
FORM 990, PART III, QUESTION 4D		

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Mercy Hospital Rogers

Employer identification number
71-0294390

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	(g) No
See Additional Data Table							

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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Merc Ambu Surg CTR 7301 Rogers Av Fort Smith, AR 72903 71-0827721	AMBUL SURG CTR	AR	NA									
(2) RES OPT & INNOV 645 Maryville Centre Dr 200 St Louis, MO 63141 46-0468368	CENTRAL DIST	MO	NA									
(3) SO OK DIAG CTR 1011 14TH Ave NW Ardmore, OK 73401 43-1971232	MRI Services	OK	NA									
(4) Fort Smith EMS 1701 S Greenwood Fort Smith, AR 72901 71-0416615	Emergency Med	AR	NA									
(5) St Ed Mer Med MOB 7301 Rogers Ave Fort Smith, AR 72903 71-0554050	Office Building	AR	NA									

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	(i) No
See Additional Data Table									

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

		Yes	No
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 orgranization 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	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

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

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

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

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

Software ID:
Software Version:
EIN: 71-0294390
Name: Mercy Hospital Rogers

Part VII Supplemental Information

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

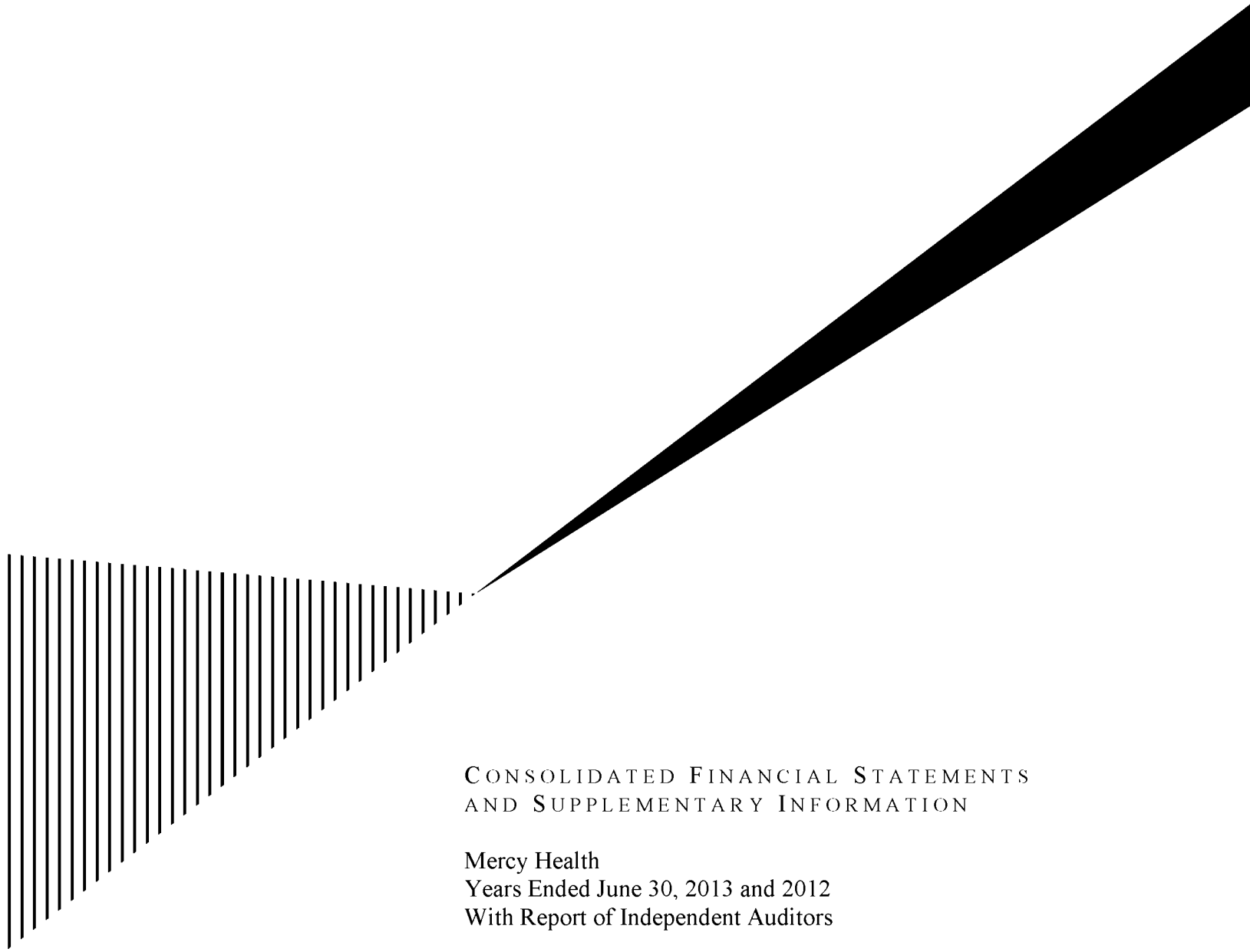
Identifier	Return Reference	Explanation
FORM 990, SCHEDULE R, PART VI	SUPPLEMENTAL INFORMATION FOR SCHEDULE R	LAWSON ERP SOFTWARE IS THE PRIMARY ACCOUNTING SOFTWARE USED BY MERCY HEALTH AND AFFILIATES THE MAJORITY OF THE INTERCOMPANY/RELATED ORGANIZATION TRANSACTIONS ARE PROCESSED THROUGH LAWSON VIA INTERCOMPANY JOURNAL ENTRIES WITH THE CURRENT DESIGN OF THE ERP SYSTEM, THERE ARE VARIOUS LIMITATIONS ON THE RELATED ORGANIZATION INFORMATION THAT CAN BE EXTRACTED FROM LAWSON DUE TO THESE LIMITATIONS, MOST OF THE RELATED ORGANIZATIONS ACTIVITY FOR THE FILING ORGANIZATION HAS BEEN CLASSIFIED ON SCHEDULE R, PART V, IN LINES P AND Q

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) Section 512(b)(13) controlled entity? No
Frontenac Properties Inc 14528 S Outer Forty Suite 100 Chesterfield, MO 63017 52-1914421	HOLDING COMP	DE	NA	C-Corp				Yes	
Inveno Health Inc 1235 E Cherokee Street Springfield, MO 65804 26-4509571	RESEARCH	MO	NA	C-Corp				Yes	
Mercy Community Services Inc 401 Woodland Hills Blvd Fort Scott, KS 66701 48-1078101	RETAIL PHARMACY	KS	NA	C-Corp				Yes	
Mercy Health Center Condominium Inc 4300 W Memorial Rd Oklahoma City, OK 73120 68-0640970	REAL ESTATE	OK	NA	C-Corp				Yes	
Mercy Health Network of the Southern Reg 1011 14th Avenue NW Ardmore, OK 73401 73-1580607	HEALTH CARE	OK	NA	C-Corp				Yes	
Mercy Health Network Inc 4300 W Memorial Road Oklahoma City, OK 73120 73-1381689	HEALTH CARE	OK	NA	C-Corp				Yes	
Mercy Managed Care Corporation 4300 W Memorial Road Oklahoma City, OK 73120 73-1441665	HOLDING COMP	OK	NA	C-Corp				Yes	
UH L Corp Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 74-2499535	HOLDING COMP	MO	NA	C-Corp				Yes	
Unity Support Services Inc 645 Maryville Centre Drive Suite 1 St Louis, MO 63141 43-1797042	PRACTICE MGT	MO	NA	C-Corp				Yes	
Jefferson Land Company Inc 14528 South Outer Forty Suite 100 Chesterfield, MO 63017 43-1330360	HOLDING COMP	MO	NA	C-Corp				Yes	
The Apothecary Services Inc PO Box 350 Crystal City, MO 63019 43-1627267	RETAIL PHARMACY	MO	NA	C-Corp				Yes	

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Mercy Clinic Springfield Communities	p	112,099	FMV
Mercy Health	p	71,076	FMV
Mercy Health Foundation Northwest Arkansas	c	105,508	FMV
Mercy Health Northwest Arkansas Communities	p	18,933,625	FMV
Mercy Health Northwest Arkansas Communities	q	288,354	FMV
Mercy Health Oklahoma Communities Inc	p	66,216	FMV
Mercy Hospital Cassville	q	130,534	FMV
Mercy Hospital Columbus	q	114,709	FMV
Mercy Hospitals East Communities	p	654,103	FMV
MHM Support Services	p	10,797,021	FMV
Resource Optimization & Innovation LLC	p	7,343,891	FMV



CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Mercy Health
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Mercy Health

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

Contents

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Mercy Health

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Mercy Health at June 30, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating balance sheet, statement of operations, and statement of changes in net assets are presented for purposes of additional analysis and are not a required part of the 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 financial statements The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst + Young LLP

September 25, 2013

Mercy Health

Consolidated Balance Sheets
(In Thousands)

	June 30 2013	2012
Assets		
Current assets		
Cash and cash equivalents	**$ 337,406**	$ 337,324
Accounts receivable, net of allowance for uncollectible receivables of $203,757 in 2013 and $171,015 in 2012	**609,360**	506,351
Inventories	**96,489**	78,717
Short-term investments	**27,465**	26,206
Other current assets	**279,606**	282,204
Total current assets	**1,350,326**	1,230,802
Investments	**1,482,953**	1,338,053
Property and equipment, net	**2,549,270**	2,281,591
Other assets	**464,483**	333,139
Total assets	**$ 5,847,032**	$ 5,183,585
Liabilities and net assets		
Current liabilities		
Current maturities of long-term obligations	**$ 20,366**	$ 21,218
Accounts payable	**153,292**	136,273
Accrued payroll and related liabilities	**346,645**	318,411
Accrued liabilities and other	**274,696**	338,290
Total current liabilities	**794,999**	814,192
Insurance reserves and other liabilities	**393,189**	400,804
Pension liabilities	**313,121**	362,324
Long-term obligations, less current maturities	**1,070,911**	810,204
Total liabilities	**2,572,220**	2,387,524
Net assets		
Unrestricted	**3,196,931**	2,724,806
Restricted	**77,881**	71,255
Total net assets	**3,274,812**	2,796,061
Total liabilities and net assets	**$ 5,847,032**	$ 5,183,585

See accompanying notes.

Mercy Health

Consolidated Statements of Operations
(In Thousands)

	Year Ended June 30	
	2013	**2012**
Operating revenues		
Patient service revenues (net of contractuals and discounts)	**$ 4,207,934**	$ 3,879,408
Provision for uncollectible receivables	**(333,467)**	(268,365)
Net patient service revenues	**3,874,467**	3,611,043
Capitation revenues	**263,607**	258,978
Other operating revenues	**242,811**	242,622
Total operating revenues	**4,380,885**	4,112,643
Operating expenses		
Salaries and benefits	**2,530,547**	2,328,935
Supplies and other	**1,349,398**	1,264,543
Medical claims expense	**110,748**	120,819
Interest	**12,976**	11,808
Depreciation and amortization	**286,526**	264,125
Total operating expenses	**4,290,195**	3,990,230
Operating income before Joplin operations and related insurance recovery *(Note 3)*	**90,690**	122,413
Joplin insurance proceeds, net	**230,174**	388,100
Joplin operating revenues	**155,848**	95,577
Joplin operating expenses	**(223,291)**	(247,339)
Total operating income	**253,421**	358,751
Nonoperating gains (losses)		
Investment returns, net	**157,656**	(8,301)
Realized and unrealized gains (losses) on interest rate swaps, net	**16,353**	(49,819)
Other, net	**(12,677)**	(2,001)
Total nonoperating gains (losses), net	**161,332**	(60,121)
Excess of revenues over expenses	**414,753**	298,630
Other changes in unrestricted net assets		
Pension liability adjustments	**45,427**	(121,025)
Gain from discontinued operations	**–**	8,435
Net assets released from restrictions for property acquisitions	**6,238**	3,131
Other	**5,707**	1,403
Increase in unrestricted net assets	**$ 472,125**	$ 190,574

See accompanying notes

Mercy Health

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Year Ended June 30	
	2013	**2012**
Increase in unrestricted net assets	**$ 472,125**	$ 190,574
Restricted net assets		
Pledges, bequests, and gifts for specific purposes	**20,324**	16,069
Investment returns, net	**3,898**	146
Net assets released from restrictions	**(17,706)**	(15,015)
Other	**110**	(184)
Increase in restricted net assets	**6,626**	1,016
Increase in net assets	**478,751**	191,590
Net assets at beginning of year	**2,796,061**	2,604,471
Net assets at end of year	**$ 3,274,812**	$ 2,796,061

See accompanying notes.

Mercy Health

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30 2013	2012
Operating activities		
Change in net assets	**$ 478,751**	$ 191,590
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net gain from discontinued operations	**–**	(8,435)
Pension liability adjustments	**(45,427)**	121,025
Pledges, bequests, and gifts for specific purposes	**(20,324)**	(16,069)
Unrealized (gain) loss on interest rate swap	**(27,053)**	37,866
Depreciation and amortization	**307,575**	282,818
Provision for uncollectible receivables	**351,198**	274,416
Insurance recoveries in excess of non-cash impairment charges	**(230,174)**	(388,100)
Net loss (gain) on disposal of property	**534**	(488)
Changes in assets and liabilities		
Accounts receivable	**(428,420)**	(307,668)
Investments classified as trading	**(135,914)**	64,864
Inventories and other current assets	**(14,756)**	(22,170)
Accounts payable	**10,057**	23,243
Accrued liabilities and other	**(25,657)**	58,850
Insurance reserves and other liabilities	**13,743**	(7,663)
Net cash provided by operating activities	**234,133**	304,079
Investing activities		
Additions to property and equipment, net	**(474,322)**	(428,434)
Insurance recoveries	**295,259**	388,100
Net change in notes receivable and other assets	**(31,424)**	(28,295)
Net increase in alternative investments	**(20,507)**	(59,260)
Business acquisitions	**(224,725)**	(30,295)
Net cash used in investing activities	**(455,719)**	(158,184)

Mercy Health

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

	Year Ended June 30 2013	2012
Financing activities		
Proceeds from issuance of long-term debt, net of original issue discount and financing costs	**$ 257,126**	$ 376,425
Principal payments on long-term obligations	**(16,472)**	(404,919)
Payment on long-term obligations assumed in an acquisition	**(39,310)**	–
Pledges, bequests, and gifts for specific purposes	**20,324**	16,069
Net cash provided by (used in) financing activities	**221,668**	(12,425)
Net increase in cash and cash equivalents from continuing operations	**82**	133,470
Cash flows from discontinued operations		
Net cash provided by assets of discontinued operations held for sale – operating activities	–	4,819
Net cash provided by assets of discontinued operations held for sale – investing activities	–	3,616
Net cash used by assets of discontinued operations held for sale – financing activities	–	–
Net increase in cash and cash equivalents from discontinued operations	–	8,435
Net increase in cash and cash equivalents	**82**	141,905
Cash and cash equivalents at beginning of year	**337,324**	195,419
Cash and cash equivalents at end of year	**$ 337,406**	$ 337,324
Supplemental disclosures		
Cash paid for interest	**$ 17,637**	$ 13,770
Assets acquired through capital leases	**$ –**	$ 43,976

See accompanying notes

Mercy Health

Notes to Consolidated Financial Statements
(Tables in Thousands)

June 30, 2013

1. Organization

Mercy Health, formerly known as the Sisters of Mercy Health System, changed its name in fiscal 2012 to Mercy Health (Mercy) in an effort to better serve its patients and communities, as well as to honor the health system's heritage

Mercy was incorporated in September 1986 and is the sole corporate member of various health care corporations Mercy is sponsored by Mercy Health Ministry, a public juridic person whose board members include Sisters of Mercy and lay leaders Prior to sponsorship by Mercy Health Ministry, Mercy was sponsored by the Institute of the Sisters of Mercy of the Americas, Regional Community of St Louis, a religious order of the Roman Catholic Church (Sisters of Mercy)

Mercy is incorporated as a not-for-profit corporation under the laws of the state of Missouri and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code)

Mercy's ministry office (headquarters) is located in St Louis, Missouri Mercy and Subsidiaries (the Health System) comprise the following corporations and their subsidiaries

- Mercy Health Fort Smith Communities, Fort Smith, Arkansas
- Mercy Health Hot Springs Communities, Hot Springs, Arkansas
- Mercy Health Northwest Arkansas Communities, Rogers, Arkansas
- Mercy Health East Communities, St Louis, Missouri
- Mercy Health Springfield Communities, Springfield, Missouri
- Mercy Health Oklahoma Communities, Inc , Oklahoma City and Ardmore, Oklahoma
- Mercy Ministries of Laredo, Laredo, Texas
- Mercy Health Southwest Missouri/Kansas Communities, Joplin, Missouri and Independence and Fort Scott, Kansas

1. Organization (continued)

Each subsidiary above is a separately incorporated not-for-profit corporation and is tax-exempt pursuant to Section 501(c)(3) of the Code All significant intercompany transactions and balances have been eliminated in consolidation

Significant Acquisitions and Divestitures

Acquisitions

Subsidiaries of the Health System entered into asset purchase agreements to make certain acquisitions, including a hospital, physician practices, an ambulatory surgery center, several medical office buildings, and other assets for a gross purchase price of approximately $272 6 million ($224 7 million net of cash acquired) in fiscal 2013 and $35 4 million ($30 3 million net of cash acquired) in fiscal 2012, respectively All of these transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities*

These acquisitions expanded the Health System's footprint and provided patients with access to a greater number of specialists and enhanced the coordination of health services

The operating results of entities acquired are included in the Health System's consolidated financial statements from the date of acquisition Operating revenues of the entities acquired in fiscal 2013 included in the consolidated statement of operations was $143 6 million for the year ended June 30, 2013 Operating revenues of the entities acquired in fiscal 2012 included in the consolidated statement of operations was $55 4 million for the year ended June 30, 2012

On an unaudited pro forma basis, had the Health System completed the fiscal 2013 acquisitions as of the beginning of each fiscal year presented, the acquisitions would have reported $226 6 million and $227 2 million in additional operating revenues in fiscal year 2013 and 2012, respectively, and $2 7 million and $5 0 million in additional excess of revenues over expenses for the years ended June 30, 2013 and 2012, respectively However, the unaudited pro forma information is not necessarily indicative of the historical results that would have been obtained had the transactions actually occurred on those dates, nor of future results

(Tables in Thousands)

1. Organization (continued)

The Health System allocated the purchase price of the acquired businesses to assets acquired and liabilities assumed based on their fair values, which is a level 3 measurement The excess of the purchase price over fair value of net assets acquired was recorded as goodwill The goodwill can be attributed to benefits that the Health System expects to realize from operating efficiencies and increased revenues

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed

	Fiscal Acquisitions	
	2013	**2012**
Assets acquired		
Cash	**$ 47,893**	$ 5,069
Accounts receivable	**25,787**	13,366
Inventories and other current assets	**9,626**	2,620
Property and equipment	**166,551**	11,387
Goodwill	**97,752**	11,094
Other long-term assets	**1,797**	12
Total assets acquired	**349,406**	43,548
Liabilities assumed		
Accounts payable	**6,177**	2,894
Accrued and other liabilities	**12,100**	5,290
Long-term obligations*	**58,511**	–
Total liabilities assumed	**76,788**	8,184
	$ 272,618	$ 35,364

* The Health System assumed $36 1 million of debt related to a fiscal 2013 acquisition On February 1, 2013, as part of a purchase agreement, the Health System legally defeased and paid off the long-term obligations for $39 3 million, including principal, interest, and early payment penalties

1. Organization (continued)

Letter of Intent

In April 2012, the Health System signed an agreement in principle to sell the assets and operations associated with Mercy Health Hot Springs Communities to Capella Healthcare Inc – a private, for-profit system based in Franklin, Tennessee In June 2013, the Health System and Capella mutually agreed to terminate the Asset Purchase Agreement

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified as investments, are considered cash equivalents The Health System routinely invests in money market mutual funds These funds generally invest in highly liquid U S government and agency obligations Financial instruments that potentially subject the Health System to concentrations of credit risk include the Health System's cash and cash equivalents The Health System places its cash and cash equivalents with institutions with high credit quality However, at certain times, such cash and cash equivalents are in excess of government-provided insurance limits

Inventories

Inventories, which consist principally of medical supplies and pharmaceuticals, are stated at the lower of cost or market Cost is determined principally using the average cost method

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of receipt

Depreciation is provided using the straight-line method over the estimated useful lives of land and leasehold improvements, buildings, and equipment The estimated useful lives are as follows land and leasehold improvements, 2 to 30 years, buildings, 3 to 40 years, and equipment, 2 to 20 years

2. Summary of Significant Accounting Policies (continued)

Property and equipment under capital lease obligations are amortized using the straight-line method over the lease term or the estimated useful life of the leased asset, whichever period is shorter Such amortization is included with depreciation in the accompanying consolidated statements of operations

Asset Impairment

The Health System periodically evaluates the carrying value of its long-lived assets for impairment when indicators of impairment are identified These evaluations are primarily based on the estimated recoverability of the assets' carrying value based on undiscounted cash flows Impairment write-downs are recognized in operating income at the time the impairment is identified

Other Assets

Other assets consist primarily of investment securities held under deferred compensation arrangements, land held for future development, fair value of interest rate swaps in asset positions, and investments in unconsolidated affiliates The equity method of accounting is used for investments in unconsolidated affiliates where the Health System does not have significant control or where ownership is 50% or less The equity income or loss on these investments is recorded in other operating revenues in the consolidated statements of operations

Goodwill

The Health System records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed The Health System annually reviews the carrying value of goodwill for impairment In addition, a goodwill impairment assessment is performed whenever circumstances indicate a potential impairment may exist The Health System has seven reporting units at which fair value is measured If such circumstances suggest that the recorded amounts of any of these assets cannot be recovered, the carrying values of such assets are reduced to fair value If the carrying value of any of these assets is impaired, a material charge may be incurred to results of operations There was no goodwill impairment during 2013 or 2012

2. Summary of Significant Accounting Policies (continued)

Net Assets

The Health System's net assets and activities are classified into two classes, restricted and unrestricted, based on the existence or absence of donor-imposed restrictions Restricted net assets include temporarily restricted net assets (73% and 71% of restricted net assets at June 30, 2013 and 2012, respectively), whose use by the Health System has been limited by donors to a specific time period or for a particular purpose, and permanently restricted net assets (27% and 29% of restricted net assets at June 30, 2013 and 2012, respectively), which must be maintained by the Health System in perpetuity with the related investment income available to support the donor-designated purpose The general nature of the donor restrictions is to support the Health System's indigent care mission and health education programs and to assist with capital projects

Net Patient Service Revenues and Patient Accounts Receivable

Patient service revenues (net of contractuals and discounts) are recorded during the period the health care services are provided and are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations Estimates of contractual allowances under managed care health plans are based upon the services provided, historical payment rates and the payment terms specified in the related contractual agreements Revenues related to uninsured patients have discounts applied in accordance with the Health System policy Net patient service revenue is reported net of the provision for uncollectible receivables

Patient accounts receivable that are deemed uncollectible, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of the Health System and, in certain cases, are reclassified to charity care if deemed to otherwise meet the Health System's charity care policy The provision for uncollectible receivables is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible receivables based upon the payor composition and aging of receivables with consideration of the historical payment and write-off experience by payor category The results of these reviews are then used to make any modifications to the provision for uncollectible receivables to establish an appropriate allowance for uncollectible receivables After satisfaction of amounts due from insurance, the Health System follows established guidelines for placing past-due patient balances with collection agencies

2. Summary of Significant Accounting Policies (continued)

Retroactive third-party adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known Adjustments to revenue based on prior periods increased net patient service revenues by approximately $13 0 million and $30 0 million in 2013 and 2012, respectively, due to revised estimates consisting primarily of retroactive third-party adjustments for years that are subject to audits, reviews, and investigations Included in the $30 0 million recognized in 2012 is $16 6 million which relates to the Medicare Rural Floor Budget Neutrality Act settlement (Settlement) This Settlement with Centers for Medicare and Medicaid Services involved approximately 2,200 hospitals nationwide and was made to resolve a challenge made by the plaintiff hospitals for underpayment of inpatient Medicare services dating back to 1999

Capitation Revenues and Medical Claims Expense

Certain Mercy Subsidiaries have entered into various risk-based contracts with certain health maintenance organizations (HMOs) Under these arrangements, the Subsidiaries receive capitated payments based on the demographic characteristics of covered members in exchange for providing certain medical services to those members These payments are reflected as capitation revenues in the consolidated statements of operations The Subsidiaries recognize medical claims expense for services provided The medical claims expense represents claims paid, claims reported but not yet paid, and an estimate of claims incurred but not reported (IBNR) The claims IBNR amount is estimated based upon prior experience modified for current trends The claims IBNR amount was $11 7 million and $21 0 million at June 30, 2013 and 2012, respectively, and was included in accrued liabilities and other in the consolidated balance sheets

2. Summary of Significant Accounting Policies (continued)

Electronic Health Record Incentive Program

The American Recovery and Reinvestment Act of 2009 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 physicians and hospitals (collectively 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 to five year period ending in 2016 Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology Providers must demonstrate continued meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments

The Health System accounts for EHR incentive payments as other operating revenue The Health System utilizes a grant accounting model to recognize EHR incentive revenues and records incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that the respective eligible provider will meet the meaningful use objectives for the reporting period and that the grants will be received The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30, and for physicians is based on the calendar year The Health System recognized revenue of approximately $36 6 million and $49 5 million during the years ended June 30, 2013 and 2012, respectively The Health System believes that the eligible providers that met meaningful use objectives will continue to meet the objectives through their applicable reporting periods 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 In addition, the Health System's compliance with the meaningful use criteria is subject to audit by the federal government

In addition, the Health System has an incentive program with its physicians whereby the Health System compensates eligible physicians if certain criteria are met The Health System expensed approximately $14 0 million and $16 7 million for incentives paid to physicians for the years ended June 30, 2013 and 2012, respectively These amounts are included in salaries and benefits in the accompanying consolidated statements of operations The net amount reflected in the consolidated statements of operations for the EHR incentive program is $22 6 million and $32 8 million for the years ended June 30, 2013 and 2012, respectively

2. Summary of Significant Accounting Policies (continued)

Services to the Community

In support of its mission, the Health System provides care to patients who personally bear a significant financial burden relative to their health care services and are deemed to be medically indigent Traditional charity care includes the cost of services provided to persons who cannot afford health care because of the financial burden of the health care services and/or who are uninsured or underinsured Traditional charity care also includes services for which the patient may not participate in the charity care process but are otherwise deemed to meet the Health System's charity care policy

Because the Health System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as net patient service revenue The cost of traditional charity care was $116 3 million and $126 8 million in 2013 and 2012, respectively The Health System estimates cost of charity care using a calculated ratio of costs to charges by hospital and applies that ratio to the relevant gross charges respectively, less any payments received

Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Health System's benefit provided to the community since a portion of such services are reimbursed at amounts less than cost In addition, the Health System maintains community benefit programs designed to positively impact the health status of the communities served These services include various clinics and outreach programs (designed to deliver health care services to underserved communities), medical education and research activities, and direct cash and in-kind charitable contributions

These community benefit programs also include the activities of Mercy Ministries of Laredo (MML), Mercy Caritas, Catherine's Fund, and Mercy Family Center that are administered by the Health System These programs finance charitable activities to help meet the needs of the poor, sick, and uneducated

2. Summary of Significant Accounting Policies (continued)

Investments

Investments include assets set aside through resolution by the Board of Directors for future long-term purposes, including capital improvements and self insurance In addition, investments include amounts contributed by donors with stipulated restrictions These assets include investments in equity securities and debt securities, which are measured at fair value The cost of securities sold is based on the specific-identification method The Health System accounts for its ownership interest in alternative investments under the equity method Management has utilized the best available information for reported alternative investment values, which in some instances are valuations as of an interim date

For purposes of recognizing investment returns as a component of excess of revenues over expenses, substantially all investments, other than alternative investments, are considered to be trading securities Unrestricted investment returns, including alternative investments, are included in nonoperating gains (losses) in the consolidated statements of operations Investment returns arising from donor-restricted resources are reported as a direct increase or decrease in restricted net assets in the consolidated statements of changes in net assets, consistent with the donors' restrictions In addition, cash flows from the purchases and sales of marketable securities designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows

Derivative Financial Instruments

Derivative instruments are contracts between the Health System and a third party (counterparty) that provide for economic payments between the parties based on changes in a defined market security or index or combination thereof The Health System's derivative financial instruments are primarily interest rate swap agreements utilized as part of its debt management process The Health System recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value The Health System does not account for any of its interest rate swap agreements as hedges, and accordingly, realized and unrealized gains (losses) and net settlement payments are reflected as a component of nonoperating gains (losses) in the accompanying consolidated statements of operations

2. Summary of Significant Accounting Policies (continued)

Pledges, Bequests, and Gifts for Specific Purposes

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received Gifts are recorded as an increase in restricted net assets if they are received with donor stipulations that limit the use of the assets Upon expenditure in accordance with a donor's restrictions and when the asset is placed in service, net assets restricted for capital acquisitions are reported as direct additions to unrestricted net assets, and assets restricted for operating purposes are reported as an increase in other operating revenues Donor-restricted contributions for operating purposes whose restrictions are met within the same year as received, and contributions received by donors without restrictions, are reflected as other operating revenues in the accompanying consolidated statements of operations

Unconditional promises to give, less an allowance for uncollectible amounts, are recorded as receivables in the year made Net pledges receivable of $3 3 million and $7 0 million were included in other current assets and other assets, respectively, at June 30, 2013 Net pledges receivable of $3 1 million and $7 9 million were included in other current assets and other assets, respectively, at June 30, 2012

Functional Classification of Expenses

The Health System provides general health care services to residents within communities served, including acute inpatient, subacute inpatient, physician, outpatient, ambulatory, long-term, and home care, as well as related general and administrative services

The Health System does not present expense information by functional classification because its resources and activities are primarily related to providing health care services Furthermore, since the Health System receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities

2. Summary of Significant Accounting Policies (continued)

Operating Indicator

The Health System's operating indicator (operating income before Joplin operations and related insurance recovery) includes all unrestricted revenue, gains and other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period The operating indicator excludes operating revenues, expenses and insurance proceeds related to Joplin (see Note 3), nonoperating gains and losses, pension liability adjustments, gain from discontinued operations, and net assets released from restrictions for property acquisitions

Performance Indicator

The Health System's performance indicator (excess of revenues over expenses) includes all changes in unrestricted net assets other than pension liability adjustments, gain from discontinued operations, and net assets released from restrictions for property acquisitions

Operating and Nonoperating Gains (Losses)

The Health System's primary mission is to meet the health care needs in its market areas by providing general health care services to residents within communities served, including acute inpatient, subacute inpatient, physician, outpatient, ambulatory, long-term, and home care, as well as related general and administrative 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 System's primary mission are considered to be nonoperating Nonoperating activities include net investment returns and net realized and unrealized gains (losses) on interest rate swaps

Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

(Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery

On May 22, 2011, an EF-5 tornado struck parts of the city of Joplin, Missouri, including Mercy's acute care hospital and adjacent medical office buildings Management determined the damage was so severe that these facilities were considered completely impaired at June 30, 2011, and the facilities were subsequently demolished The Health System has continued to provide health care services in temporary facilities, but capacity is limited

At the date of the tornado, the Health System maintained insurance coverage of $750 million, which covered emergency response, temporary facilities, property damage, business interruption, and related costs, subject to a $50,000 deductible The claim has been final settled as of December 2012 As of June 30, 2013, the Health System has received $733 4 million in total insurance proceeds related to this event The breakdown between fiscal 2013 and 2012 is described below

	Year Ended June 30	
	2013	**2012**
Insurance proceeds – property damage	**$ 23,259**	$ 263,100
Insurance proceeds – business interruption	**272,000**	125,000
Total insurance proceeds received	**$ 295,259**	$ 388,100

As a result of settling the claim, an impairment charge of $65 1 million was recorded to reduce certain assets, primarily temporary facilities, to fair value The impairment is netted against 2013 Joplin insurance proceeds in the accompanying consolidated statements of operations

(Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery (continued)

Since the post-tornado operations of Joplin are not comparable to the pre-tornado operations and since Joplin's results are impacted significantly by insurance proceeds, management has determined that Joplin's financial results should be segregated in the accompanying consolidated statements of operations for both periods presented

	Year Ended June 30	
	2013	**2012**
Operating revenues		
Patient service revenues (net of contractuals and discounts)	**$ 168,451**	$ 91,442
Provision for uncollectible receivables	**(17,731)**	(6,051)
Net patient service revenues	**150,720**	85,391
Other operating revenues	**5,128**	10,186
Total operating revenues	**155,848**	95,577
Operating expenses		
Salaries and benefits	**73,907**	84,050
Supplies and other	**128,335**	144,596
Depreciation and amortization	**21,049**	18,693
Total operating expenses	**223,291**	247,339
Joplin insurance proceeds, net of impairment charge	**230,174**	388,100
Joplin operating income	**$ 162,731**	$ 236,338

(Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables

The following is a summary of the Health System's patient service revenues, net of contractual allowances and discounts (before the provision for uncollectible receivables) by major payor Medicare and Medicaid managed plans are grouped with Medicare and Medicaid, respectively

	Year Ended June 30	
	2013	**2012**
Medicare	**$ 1,561,984**	$ 1,356,873
Medicaid	**490,201**	424,509
Managed care/other	**1,897,725**	1,849,947
Self-pay	**258,024**	248,079
	$ 4,207,934	$ 3,879,408

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Noncompliance with Medicare and Medicaid laws and regulations can make the Health System subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs

The Health System provides health care services through inpatient and outpatient care facilities located in several states The Health System grants credit to patients in return for health care services rendered to said patients, substantially all of whom are residents of the communities served The Health System does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e g , Medicare, Medicaid, HMOs, and commercial insurance policies) At June 30, 2013 and 2012, approximately 37% and 36%, respectively, of net accounts receivable were collectible from governmental payors (including Medicare and Medicaid), with approximately 50% of net accounts receivable collectible from commercial insurance and managed care payors for both 2013 and 2012

(Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables (continued)

The allowance for uncollectible receivables was approximately $203 8 million and $171 0 million as of June 30, 2013 and 2012, respectively These balances as a percent of accounts receivable net of contractual allowances were approximately 25% as of June 30, 2013 and 2012 The Health System's allowance for uncollectible receivables covered approximately 60% and 54% of self-pay patient receivables, including patient responsibility, as of June 30, 2013 and 2012, respectively The Health System has experienced an increase in write-off trends related to bad debt and charity driven by higher unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances The Health System reviews and updates its uninsured discount rate on an annual basis There have been no significant changes to the charity care policies for the years ended June 30, 2013 or 2012 The Health System does not maintain a material allowance for uncollectible receivables from third-party payors, nor did it have significant writeoffs from third-party payors

The following is a summary of the Health System's allowance for uncollectible receivables activity

Balance at July 1, 2011	$ 187,756
Provision for uncollectible receivables	268,365
Provision for uncollectible receivables – Joplin	6,051
Accounts written off, net of recoveries and other	(291,157)
Balance at June 30, 2012	$ 171,015
Provision for uncollectible receivables	333,467
Provision for uncollectible receivables – Joplin	17,731
Accounts written off, net of recoveries and other	(318,456)
Balance at June 30, 2013	$ 203,757

(Tables in Thousands)

5. Investments

The following is a summary of investments

	June 30	
	2013	**2012**
Board-designated	**$ 1,471,640**	$ 1,321,605
Restricted by donor or grantor	**38,778**	42,654
Total investments	**1,510,418**	1,364,259
Less short term investments	**(27,465)**	(26,206)
	$ 1,482,953	$ 1,338,053

The following is a summary of investments by classification

	June 30	
	2013	**2012**
Cash and cash equivalents	**$ 151,762**	$ 93,477
Fixed income		
Corporate debt securities	**73,428**	73,209
Government agencies and obligations (U S and foreign)	**63,157**	93,678
Other debt securities	**56,987**	36,436
Commingled and mutual funds	**112,101**	147,477
Equity securities		
Domestic equities – common stock	**320,128**	262,603
International equities – common stock	**247,645**	226,820
Real assets – commodities	**33,457**	38,837
Alternative investments		
Hedge funds	**323,820**	245,697
Private equity investments	**91,834**	99,466
Real assets – limited partnerships	**18,211**	24,816
Other	**17,888**	21,743
	1,510,418	1,364,259
Less short term investments	**(27,465)**	(26,206)
Total investments	**$ 1,482,953**	$ 1,338,053

(Tables in Thousands)

5. Investments (continued)

The following is a summary of investment returns

	Year Ended June 30	
	2013	**2012**
Investments		
Interest and dividends	**$ 24,026**	$ 23,758
Realized gains, net	**40,954**	34,013
Interest expense on Series 2001 bonds	**(2,202)**	(2,417)
Unrealized gains (losses), net	**94,878**	(63,655)
Investment returns included in nonoperating gains (losses), net	**157,656**	(8,301)
Investment returns included in restricted net assets	**3,898**	146
Total investment returns	**$ 161,554**	$ (8,155)

The Health System's investments are exposed to various kinds and levels of risk Fixed income securities expose the Health System to interest rate risk, credit risk, and liquidity risk As interest rates change, the value of many fixed income securities is affected, particularly those with fixed rates Credit risk is the risk that the obligor of the security will not fulfill its obligations Liquidity risk is affected by the willingness of market participants to buy and sell given securities Equity securities expose the Health System to market risk, performance risk, and liquidity risk Market risk is the risk associated with major movements of the equity markets, both foreign and domestic Performance risk is the risk associated with a company's operating performance Liquidity risk as previously defined tends to be higher for foreign equities and equities related to small capitalization companies

Certain of the Health System's investments are made through alternative investments, primarily private equity limited partnership investments and hedge funds These investments provide the Health System with a proportionate share of the investment gains and losses The fund manager has full discretionary authority over the investment decisions and provides the net asset valuation The hedge funds and private equity funds present risks similar to those of traditional investments, as well as some additional risks Due to the fact that these funds are invested through limited partnerships or other limited access-type vehicles, pricing is infrequent and liquidity may also be limited, in some cases, up to 24 months for hedge funds Due to infrequent

5. Investments (continued)

pricing and illiquidity of underlying investments, it is common practice for private equity funds to require investors to commit to a ten-year investment period, although the distribution of capital is likely to occur prior to the ten-year termination date These investments may also employ leverage, which may lead to additional risk of loss These investments are subject to market risk, default risk, interest rate risk, and credit risk as well as various other types of risks At June 30, 2013, the Health System has commitments to fund $72 2 million in these investments

At the balance sheet dates, receivables and payables for investment trades not settled are presented with other current assets and other current liabilities Unsettled sales resulted in receivables due from brokers of $186 6 million and $196 6 million at June 30, 2013 and 2012, respectively Unsettled buys resulted in payables of $144 2 million and $164 5 million at June 30, 2013 and 2012, respectively

6. Fair Value Measurements

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or can be derived or supported from observable data as of the reporting date

(Tables in Thousands)

6. Fair Value Measurements (continued)

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources In evaluating the significance of input, the Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities These inputs may be used with internally developed methodologies that result in management's best estimate of fair value

Financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 151,469	$ 293	$ –	$ 151,762
Equity securities				
Domestic equities – common stock	319,308	820	–	320,128
International equities – common stock	95,343	152,302	–	247,645
Fixed income				
Corporate debt securities	–	73,428	–	73,428
Government agencies and obligations (U S and foreign)	–	63,157	–	63,157
Other debt securities	399	56,588	–	56,987
Commingled and mutual funds	1,375	110,726	–	112,101
Real assets – commodities	21,332	12,125	–	33,457
Other	–	2,535	–	2,535
	589,226	471,974	–	1,061,200
Deferred compensation plan assets				
Cash and cash equivalents	488	–	–	488
Equities – mutual funds	123,695	–	–	123,695
Other	–	5,249	50,642	55,891
	124,183	5,249	50,642	180,074
Total assets	$ 713,409	$ 477,223	$ 50,642	$ 1,241,274
Liabilities				
Interest rate swap agreements	$ –	$ 53,845	$ –	$ 53,845
Total liabilities	$ –	$ 53,845	$ –	$ 53,845

(Tables in Thousands)

6. Fair Value Measurements (continued)

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

	Other
Fair value at July 1, 2012	$ 42,493
Purchases, issuances, settlements, and sales	
Purchases	18,478
Sales	(12,042)
Actual return on plan assets	1,713
Transfers in and/or out of Level 3	–
Fair value at June 30, 2013	$ 50,642

Financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 89,338	$ 4,139	$ –	$ 93,477
Equity securities				
Domestic equities – common stock	262,603	–	–	262,603
International equities – common stock	86,200	140,620	–	226,820
Fixed income				
Corporate debt securities	–	73,209	–	73,209
Government agencies and obligations (U S and foreign)	–	93,678	–	93,678
Other debt securities	703	35,733	–	36,436
Commingled and mutual funds	44,645	102,832	–	147,477
Real assets – commodities	26,200	12,637	–	38,837
Other	–	6,390	–	6,390
	509,689	469,238	–	978,927
Deferred compensation plan assets				
Cash and cash equivalents	619	–	–	619
Equities – mutual funds	106,398	–	–	106,398
Other	–	6,103	42,493	48,596
	107,017	6,103	42,493	155,613
Interest rate swap agreements	–	9,441	–	9,441
Total assets	$ 616,706	$ 484,782	$ 42,493	$ 1,143,981
Liabilities				
Interest rate swap agreements	$ –	$ 86,636	$ –	$ 86,636
Total liabilities	$ –	$ 86,636	$ –	$ 86,636

(Tables in Thousands)

6. Fair Value Measurements (continued)

The following table is a rollforward of the deferred compensation plan assets classified within Level 3 of the valuation hierarchy

	Other
Fair value at July 1, 2011	$ 42,572
Purchases, issuances, settlements, and sales	
Purchases	18,336
Sales	(19,189)
Actual return on plan assets	774
Transfers in and/or out of Level 3	–
Fair value at June 30, 2012	$ 42,493

Investments in the fair value tables above exclude alternative investments, which are recorded under the equity method of accounting, of $433 9 million and $370 0 million at June 30, 2013 and 2012, respectively Investments in the fair value tables above also exclude land held for investment, which is recorded at cost, of $15 4 million at June 30, 2013 and 2012

Deferred compensation plan assets and interest rate swaps (assets) are reported in other assets, and interest rate swaps (liabilities) are reported in insurance reserves and other liabilities in the consolidated balance sheets

The following is a description of the Health System's valuation methodologies for assets and liabilities measured at fair value Fair value for Level 1 is based upon quoted market prices The fair value of certain Level 2 securities was determined using multiple price types of bid/offer, last traded, settlement, evaluated, and the official primary exchange close-time pricing, provided by third-party pricing services if quoted market prices were not available The quality of the prices received is evaluated through price comparisons and tolerance level checks These Level 2 investments include cash equivalents, domestic equities, international equities, corporate debt securities, government agencies and obligations, other debt securities, commingled funds and real assets – commodities The fair values of the interest rate swap contracts, also Level 2 measurements, are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect nonperformance risk The credit spread adjustment is derived from the Health System's and other comparable rated entities' bonds priced in the market and adjusted with a gross up of the

6. Fair Value Measurements (continued)

tax-exempt spread to a taxable equivalent spread for the Health System and counterparty bond trading levels (or credit default swap spreads) The fair values of other securities in the deferred compensation plan's assets are based on unobservable inputs and are recorded based on information provided by the trustee

The deferred compensation plans invest in a fully benefit-responsive guaranteed investment contract (GIC) with MetLife, which is a general account evergreen group annuity contract MetLife maintains the contributions in the general account The deferred compensation plans own a series of guarantees that are embedded in the insurance contract The contractual guarantees are backed up by the full faith and credit of MetLife, the contract issuer MetLife is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the deferred compensation plan There are no reserves against contract value for credit risk of the contract issuer or otherwise The crediting interest rate is based on a formula agreed upon with the issuer Such interest rates are reviewed on an annual basis for resetting

The carrying values of cash and cash equivalents, accounts receivable, pledges receivable, and current liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments The fair value of the Health System's fixed-rate bonds is based on quoted market prices for the same or similar issues and approximates $235 6 million and $7 2 million as of June 30, 2013 and 2012, respectively, which is a level 2 measurement The carrying amount approximates fair value for all other long-term debt, which is variable rate, and excludes the impact of third-party credit enhancements

Due to the volatility of the financial market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term subsequent to June 30, 2013

(Tables in Thousands)

7. Property and Equipment

The following is a summary of property and equipment

	June 30	
	2013	**2012**
Land, land improvements and leasehold improvements	**$ 272,621**	$ 238,172
Buildings	**2,807,888**	2,600,791
Equipment	**2,134,776**	2,007,360
Construction-in-progress	**276,595**	120,036
	5,491,880	4,966,359
Less accumulated depreciation	**(2,942,610)**	(2,684,768)
Property and equipment, net	**$ 2,549,270**	$ 2,281,591

At June 30, 2013, construction and software-related contracts and commitments exist for capital improvements at certain of the Health System's facilities The remaining commitment on these contracts at June 30, 2013 was approximately $298 8 million, out of which $239 7 million relates to the construction of the new hospital in Joplin During the years ended June 30, 2013 and 2012, interest of $3 6 million and $0 8 million, respectively, was capitalized

8. Other Assets

The following is a summary of other assets

	June 30	
	2013	**2012**
Deferred compensation plan assets	**$ 180,074**	$ 155,613
Goodwill and intangible assets	**143,544**	45,792
Investment in unconsolidated affiliates	**60,253**	43,340
Land held for future development	**30,278**	16,382
Notes receivable	**13,948**	12,961
Fair value of interest rate swaps	**–**	9,441
Other	**36,386**	49,610
	$ 464,483	$ 333,139

(Tables in Thousands)

9. Goodwill

The following table presents the changes in the carrying amount of goodwill during the years ended June 30, 2013 and 2012

Balance at July 1, 2011	$ 34,698
Acquisitions	11,094
Balance at June 30, 2012	$ 45,792
Acquisitions	97,752
Balance at June 30, 2013	$ 143,544

10. Liability Programs

The Health System administers a liability program to provide for general and professional liability risks within certain limits Health care professional liabilities in excess of self-insured limits are insured on a claims-made basis subject to an annual maximum of $20 0 million over the self-insured retention of $10 0 million, after which the Health System would again be responsible The recorded liabilities are based upon actuarial estimates of reported claims and IBNR claims using historical claim experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 4 75% for 2013 and 2012 The discounted general and professional liability was $135 3 million and $130 9 million at June 30, 2013 and 2012, respectively, which is included in accrued liabilities and insurance reserves in the accompanying consolidated balance sheets

11. Employee Retirement Plans

Prior to July 1, 2011, the Health System sponsored an active defined benefit retirement plan (the Plan) to provide coverage under a single plan for groups acquired in business combinations Pension benefits were provided to substantially all Health System employees through the Plan As new employee groups were transitioned to the Plan, the Plan was modified through plan amendments to provide credit for service with the acquired provider Plan benefits were originally provided based on a final average pay formula but were later transitioned to a cash

(Tables in Thousands)

11. Employee Retirement Plans (continued)

balance-type formula The cash balance formula provided an annual pay credit, based on employee compensation and years of service, and an interest credit based on the 30-year U S Treasury bill rate, subject to a floor of 5 25% Effective June 30, 2011, the Plan was closed to new entrants, and pay credits ceased Interest credits continue to be paid under the Plan The Plan is funded consistent with actuarial funding recommendations

The Health System maintains various non-qualified defined benefit retirement plans that provide retirement income in excess of the limitations on benefits imposed by Internal Revenue Service (IRS) limitations to certain key executives These plans are closed to new entrants

The following table sets forth the Plan's and certain other of the Health System's pension plans' benefit obligations, fair value of plan assets, and funded status at the measurement date

	June 30	
	2013	**2012**
Accumulated benefit obligation	**$ 983,953**	$ 1,010,293
Changes in projected benefit obligation		
Projected benefit obligation at beginning of period	**$ 1,020,307**	$ 966,632
Service cost	**1,767**	1,413
Interest cost	**41,991**	47,392
Actuarial (gain) loss	**(14,542)**	66,852
Benefits paid	**(50,996)**	(61,982)
Projected benefit obligation at end of period	**$ 998,527**	$ 1,020,307
Changes in plan assets		
Fair value of plan assets at beginning of period	**$ 654,649**	$ 718,489
Actual return on plan assets	**72,275**	(10,219)
Employer contributions	**5,966**	8,361
Benefits paid	**(50,996)**	(61,982)
Fair value of plan assets at end of period	**$ 681,894**	$ 654,649
Funded status of the Plan	**$ (316,633)**	$ (365,658)

(Tables in Thousands)

11. Employee Retirement Plans (continued)

Amounts recognized in the accompanying consolidated balance sheets at June 30 consist of

	2013	2012
Accrued liabilities and other	**$ 3,512**	$ 3,334
Pension liabilities	**313,121**	362,324
	$ 316,633	$ 365,658

No plan assets are expected to be returned to the Health System during the fiscal year ended June 30, 2014

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost

	Year Ended June 30	
	2013	2012
Unrecognized actuarial loss	**$ (377,090)**	$ (421,973)
Unrecognized prior service cost	**(3,017)**	(3,561)
	$ (380,107)	$ (425,534)

Changes in plan assets and benefit obligations recognized in unrestricted net assets include

	Year Ended June 30	
	2013	2012
Current year actuarial gain (loss)	**$ 33,932**	$ (130,055)
Amortization of actuarial loss	**10,951**	8,486
Amortization of prior service credit	**544**	544
	$ 45,427	$ (121,025)

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The estimated net actuarial loss and prior service cost included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ending June 30, 2014, are $10 6 million and $0 5 million, respectively The impact of the change in discount rate on the projected benefit obligation of the plan was a decrease of approximately $32 6 million for the year ended June 30, 2013, and an increase of approximately $71 3 million for the year ended June 30, 2012

The following is a summary of the components of net periodic pension cost

	Year Ended June 30	
	2013	**2012**
Service cost, benefits earned during the period	**$ 1,767**	$ 1,413
Interest cost on projected benefit obligation	**41,991**	47,392
Expected return on plan assets	**(52,885)**	(52,984)
Amortization of unrecognized		
Prior service credit	**544**	544
Actuarial loss	**10,951**	8,486
Net periodic pension cost	**$ 2,368**	$ 4,851

Weighted-average assumptions used to determine the Plan's projected benefit obligation and net periodic benefit costs are as follows

	Projected Benefit Obligation		Net Periodic Benefit Costs	
	2013	**2012**	**2013**	**2012**
Discount rates	**4.35–4.60%**	4 05–4 20%	**4.05–4.20%**	5 00–5 15%
Rates of salary increase	**5.00**	5 00	**5.00**	6 00
Expected long-term return on plan assets	**8.00**	8 15	**8.15**	8 15

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The Plan's weighted-average asset allocations at June 30, 2013 and 2012, and target allocation by asset category are as follows

Asset Category	2013 Target Asset Allocation	Plan Assets at June 30 2013	2012
Equity securities	**40%**	**38%**	37%
Debt securities	**30**	**20**	26
Alternative investments	**30**	**34**	33
Other	**0**	**8**	4
Total	**100%**	**100%**	100%

The Plan's assets measured at fair value were determined using the following inputs at June 30, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 78,447	$ 12,219	$ –	$ 90,666
Equity securities				
Domestic equities – common stock	141,564	370	–	141,934
International equities – common stock	42,305	68,810	–	111,115
Fixed income				
Corporate debt securities	–	33,576	–	33,576
Government agencies and obligations (U S and foreign)	–	28,765	–	28,765
Other debt securities	180	12,105	–	12,285
Commingled and mutual funds	9	50,048	–	50,057
Real assets – commodities	9,470	5,478	–	14,948
Other	–	–	2,812	2,812
Hedge funds	–	–	146,018	146,018
Private equity	–	–	41,490	41,490
Real assets – limited partnerships	–	–	8,228	8,228
	$ 271,975	$ 211,371	$ 198,548	$ 681,894

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Hedge Funds	Private Equity	Real Assets – Limited Partnerships	Other
Fair value at July 1, 2012	$ 120,346	$ 48,751	$ 12,163	$ 2,846
Purchases, issuances, and settlements	11,111	(8,073)	(3,402)	–
Actual return on plan assets	14,561	812	(533)	(34)
Transfers in and/or out of Level 3	–	–	–	–
Fair value at June 30, 2013	$ 146,018	$ 41,490	$ 8,228	$ 2,812

The Plan's assets measured at fair value were determined using the following inputs at June 30, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 45,966	$ 12,304	$ –	$ 58,270
Equity securities				
Domestic equities – common stock	126,524	–	–	126,524
International equities – common stock	41,353	68,922	–	110,275
Fixed income				
Corporate debt securities	–	36,332	–	36,332
Government agencies and obligations (U S and foreign)	–	46,131	–	46,131
Other debt securities	346	2,734	–	3,080
Commingled and mutual funds	20,657	50,428	–	71,085
Real assets – commodities	12,652	6,194	–	18,846
Other	–	–	2,846	2,846
Hedge funds	–	–	120,346	120,346
Private equity	–	–	48,751	48,751
Real assets – limited partnerships	–	–	12,163	12,163
	$ 247,498	$ 223,045	$ 184,106	$ 654,649

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy

	Hedge Funds	Private Equity	Real Assets – Limited Partnerships	Other
Fair value at July 1, 2011	$ 130,032	$ 43,024	$ 14,165	$ 2,882
Purchases, issuances, and settlements	(7,677)	2,560	(296)	–
Actual return on plan assets	(2,009)	3,167	(1,706)	(36)
Transfers in and/or out of Level 3	–	–	–	–
Fair value at June 30, 2012	$ 120,346	$ 48,751	$ 12,163	$ 2,846

Fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 6 Level 3 securities, which consist of alternative investments (principally limited partnership interests in hedge funds and private equity funds) and a guaranteed investment contract, represent the Plan's ownership interest in the net asset value (NAV) of the respective partnership

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in hedge funds and private equity funds Valuations provided by the respective fund's management include variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 24 months in the case of hedge funds and up to 10 years for private equity funds At June 30, 2013, the Plan has commitments to fund $32 6 million in these investments

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The Plan employs investment managers to invest fund balances in a structured portfolio of equity, fixed income, and alternative investments (which includes hedge funds, private equity, and real assets) The Plan retains outside consultants to support the overall asset allocation and manager selection process The Plan's current investment policy was updated and approved in fiscal 2012 The performance of all managers is reviewed to test that market performance has been calculated accurately, to monitor performance versus peers and benchmarking, and to evaluate portfolio structure considering current and future needs based on economic forecasts and actuarial projections The Health System believes that a diversified portfolio will limit the degree of risk to the Plan and stabilize the long-term results The Plan's diversified blend of marketable securities also takes into consideration the cash flow requirements of the Plan to help ensure the ability to meet the monthly payout of benefits required Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category

The Health System expects to contribute at least $3 0 million to the Plan during fiscal 2014

The following benefit payments, which reflect expected future service, are expected to be paid by the Plan

	Amount
Year Ending June 30	
2014	$ 71,600
2015	77,800
2016	74,800
2017	79,500
2018	70,600
2019 through 2023	368,700
	$ 743,000

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The Health System has a defined-contribution 401(k) plan and a 403(b) plan for the benefit of substantially all employees Participant contributions to the plans are subject to IRS limitations The 401(k) plan has always included an employer-provided match contribution Effective July 1, 2011, the 401(k) plan was amended to enhance the match contribution and add a non-matching service contribution to replace the pay credit previously earned under the defined benefit plan The 403(b) plan allows participant contributions, and amounts contributed to the plan are eligible for a match contribution and service contribution under the provisions of the 401(k) plan

The match contribution is equal to 50% of the first 4% of the participant's compensation contributed and 25% of the next 2% of the participant's compensation contributed The service contribution is equal to compensation multiplied by a percentage of pay based on years of service (1%–9% for employees hired prior to July 1, 2011, and 1%–4% for those hired on July 1, 2011 or later) In order to earn a match contribution or service contribution, an employee must work at a rate of 1,000 hours during the year Employees become vested in both match and service contributions upon the completion of three years of vesting service

For the years ended June 30, 2013 and 2012, the total expenses incurred related to the 401(k) and 403(b) plans were $89 6 million and $79 4 million, respectively

12. Long-Term Obligations

The following is a summary of long-term obligations

	June 30	
	2013	**2012**
Revenue bonds, fixed interest rates of 3 0-5 0% due 2014 through 2042	**$ 260,742**	$ 6,500
Revenue bonds, variable interest rates with weighted-average interest rates of 0 60% and 0 50% in fiscal 2013 and 2012, respectively, due through June 2039	**728,475**	742,075
Other notes, mortgage notes, and capital lease obligations	**102,060**	82,847
	1,091,277	831,422
Less current maturities of long-term obligations	**(20,366)**	(21,218)
Long-term obligations, less current maturities	**$ 1,070,911**	$ 810,204

12. Long-Term Obligations (continued)

Certain of Mercy's subsidiaries have executed a commitment agreement governing certain borrowing arrangements under the Mercy Master Trust Indenture and related agreements (Financing Agreements) While only the revenues of Mercy collateralize the outstanding borrowings of the Health System, each of these subsidiaries has committed to transfer such assets to Mercy to pay the amounts due on borrowings when they come due The Financing Agreements contain certain restrictive covenants, including debt service coverage and liquidity ratios At June 30, 2013, Mercy was in compliance with all covenants

Tax-exempt revenue bonds have been issued by various issuing authorities, the proceeds of which were used by Mercy primarily to finance capital projects and to refinance existing indebtedness of certain subsidiaries

Mercy has auction-rate securities aggregating to $378 3 million The interest rate is set through a weekly auction process among bond investors Starting in fiscal 2008, due to the market-wide financial crisis, institutional buyers and investment banks opted not to participate in the market for securities of this type, causing a failure of the auction process and resulting in the bonds resetting to a maximum rate predefined in the bond agreement based on the higher of the current LIBOR or commercial paper index adjusted for the current rating and current tax rate plus a fixed spread

In November 2011, $376 4 million of variable rate tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture The proceeds of these bonds were used to refund the Series 2008 variable rate demand bonds aggregating $376 4 million These bonds were directly purchased by four banks and mature at various dates between June 1, 2012 and June 1, 2039 Interest is paid monthly at a borrowing rate based on a percentage of one-month LIBOR plus an applicable spread The bonds include a mandatory put by the purchasing banks in November 2016 and November 2018 Mercy may elect to renegotiate with the initial purchasers, remarket or redeem the bonds

(Tables in Thousands)

12. Long-Term Obligations (continued)

In December 2012, $250 0 million of fixed rate tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture The proceeds of these bonds were used to finance all or a portion of several capital projects, including a portion of the new hospital in Joplin, Missouri The bonds have various maturities between November 15, 2019 and November 15, 2042 Coupon rates were set at 3-4% with yields to maturity ranging from 1 75-3 86% Most of the bonds were sold at a premium to institutional and retail investors The net premium paid to the Health System totaled $7 1 million Issuance costs totaled $2 6 million The bonds pay interest on May 15 and November 15 of each year, commencing May 15, 2013

Other notes payable, mortgage notes payable, and capital lease obligations are secured by certain property and equipment of the specific borrowers

In July 2012, as part of an acquisition, the Health System assumed a $21 9 million fixed-rate commercial real estate loan Interest is paid monthly at an annual rate of 7 25% and the debt matures on December 31, 2014

Aggregate maturities of long-term obligations as scheduled at June 30, 2013, are as follows

	Amount
Year Ending June 30	
2014	$ 20,366
2015	39,548
2016	15,403
2017	8,737
2018	9,064
Thereafter	998,159
	$ 1,091,277

Mercy has $100 0 million of unused 364-day lines of credit with three banks Agreements terminate on December 11, 2013, however, the Health System anticipates renewal of the agreements There were no borrowings outstanding under these lines of credit as of June 30, 2013

13. Derivatives

The Health System has interest rate-related derivative instruments to manage its interest rate exposure on its variable-rate debt instruments and does not enter into derivative instruments for any purpose other than risk management Interest rate swap contracts between the Health System and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate These agreements expose the Health System to market risk and credit risk Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions Counterparty credit risk is managed by requiring high credit standards for the Health System's counterparties The Health System will enter into transactions where the counterparty rating is high enough to maintain the rating on Health System bonds The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk The Health System does not anticipate nonperformance by its counterparties Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken Management also mitigates risk through periodic reviews of the Health System's derivative positions in the context of its blended cost of capital

Effective December 4, 2012, the Health System terminated two constant maturity basis swap transactions with a total notional amount of $250 million, resulting in a net payment to the Health System of $4 7 million

(Tables in Thousands)

13. Derivatives (continued)

The following is a summary of the outstanding positions under these interest rate swap agreements

Interest Rate Swap Type	Expiration Date	Health System Pays	Health System Receives	Notional Value June 30, 2013	Notional Value June 30, 2012
Fixed payor	June 2, 2031	3 36% – 3 751%	70% of one-month LIBOR	**$ 252,200**	$ 252,200
Fixed payor	June 2, 2031	3 848% – 3 856%	70% of one-month LIBOR	**50,000**	50,000
Fixed payor	June 1, 2016	3 94%	67% of one-month LIBOR	**20,750**	29,050
Constant maturity[1]	June 2, 2031	USD-BMA Municipal Swap	89% of 10-year SIFMA Index	–	125,000
Constant maturity[1]	January 1, 2016	89% of 10-year SIFMA Swap Rate	USD-BMA Municipal Swap Index	–	125,000

[1] Terminated December 4, 2012

The fair value of derivative instruments is as follows

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 30 2013	June 30 2012
Interest rate swap agreements	Other assets	**$ –**	$ 9,441
Interest rate swap agreements	Other liabilities	**53,845**	86,636

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for the years ended June 30, 2013 and 2012, are reflected in realized and unrealized gains (losses) on interest rate swaps in the consolidated statements of operations

(Tables in Thousands)

14. Operating Leases

Rent expense for the years ended June 30, 2013 and 2012, totaled $70 2 million and $66 9 million, respectively

Future minimum rental payments under noncancelable operating leases as of June 30, 2013, that have initial or remaining terms in excess of one year are as follows

	Amount
Year Ending June 30	
2014	$ 45,065
2015	37,639
2016	34,794
2017	32,660
2018	27,424
Thereafter	104,800
	$ 282,382

Effective August 1, 2013, rent commenced on an operating lease for an orthopedic hospital at one of Mercy's subsidiaries Future minimum rental payments under the lease agreement are approximately $9 0 million per year over the initial lease term

15. Commitments and Contingencies

Regulatory Compliance

The U S Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers The Health System is not exempt from these regulatory efforts and has received correspondence from federal agencies with regard to such initiatives In consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations

15. Commitments and Contingencies (continued)

Litigation

The Health System is involved in litigation arising in the normal course of business After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations

16. Subsequent Events

The Health System evaluated events and transactions occurring subsequent to June 30, 2013, through September 25, 2013, the date the consolidated financial statements were issued During this period, there were no subsequent events that required recognition in the consolidated financial statements

On July 1, 2013, a subsidiary of the Health System executed an agreement to lease a hospital and recorded a capital lease obligation of $42 2 million

Supplementary Information

Mercy Health

Consolidating Balance Sheet
(In Thousands)

June 30, 2013

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
Assets						
Current assets						
Cash and cash equivalents	$ 10,905	$ (32,116)	$ (6,376)	$ 201,077	$ 18,514	$ (1,204)
Accounts receivable, net	35,330	29,898	29,249	19,794	6,818	12,790
Inventories	5,477	4,601	4,374	4,655	1,816	1,331
Short-term investments	–	–	–	–	–	–
Other current assets	(4,350)	(9,548)	(7,545)	(11,023)	(1,596)	(4,561)
Total current assets	47,362	(7,165)	19,702	214,503	25,552	8,356
Investments	2,272	357	8,748	220	1,226	(22)
Property and equipment, net	160,645	106,576	134,572	221,910	40,613	40,897
Other assets	22,753	9,980	2,983	1,603	(520)	–
Total assets	$ 233,032	$ 109,748	$ 166,005	$ 438,236	$ 66,871	$ 49,231
Liabilities and net assets						
Current liabilities						
Current maturities of long-term obligations	$ 360	$ 460	$ 146	$ –	$ –	$ 748
Accounts payable	4,853	5,057	8,884	29,677	2,491	1,587
Accrued payroll and related liabilities	10,930	10,443	7,938	8,502	3,891	1,231
Accrued liabilities and other	4,707	627	3,266	1,883	2,014	(5,735)
Total current liabilities	20,850	16,587	20,234	40,062	8,396	(2,169)
Insurance reserves and other liabilities	3,109	1,795	1	31	477	–
Pension liabilities	–	–	–	–	–	–
Long-term obligations, less current maturities	6,993	7,125	158	–	–	42,522
Total liabilities	30,952	25,507	20,393	40,093	8,873	40,353
Net assets						
Unrestricted	200,763	83,697	138,836	391,036	57,808	8,628
Restricted	1,317	544	6,776	7,107	190	250
Total net assets	202,080	84,241	145,612	398,143	57,998	8,878
Total liabilities and net assets	$ 233,032	$ 109,748	$ 166,005	$ 438,236	$ 66,871	$ 49,231

St. Louis	Springfield	Oklahoma	MML	Mercy	Eliminations	Total
$ 63.322	$ 13.902	$ 74.534	$ 480	$ (5.632)	$ –	$ 337.406
201.011	181.800	92.526	–	144	–	609.360
21.908	28.907	10.298	–	13.122	–	96.489
–	–	–	–	27.465	–	27.465
18.156	13.463	(9.860)	338	395.730	(99.598)	279.606
304.397	238.072	167.498	818	430.829	(99.598)	1.350.326
25.657	27.609	6.390	26.229	1.384.267	–	1.482.953
765.354	490.853	210.248	2.717	374.885	–	2.549.270
158.130	125.025	52.573	1	91.955	–	464.483
$ 1.253.538	$ 881.559	$ 436.709	$ 29.765	$ 2.281.936	$ (99.598)	$ 5.847.032

$ 3.281	$ 207	$ 527	$ –	$ 14.637	$ –	$ 20.366
68.638	65.860	14.757	294	35.582	(84.388)	153.292
100.197	80.310	31.202	–	107.211	(15.210)	346.645
13.401	48.799	1.680	144	203.910	–	274.696
185.517	195.176	48.166	438	361.340	(99.598)	794.999
27.430	76.694	2.239	334	281.079	–	393.189
–	–	–	–	313.121	–	313.121
49.125	500	1.888	–	962.600	–	1.070.911
262.072	272.370	52.293	772	1.918.140	(99.598)	2.572.220
968.574	576.806	378.583	28.813	363.387	–	3.196.931
22.892	32.383	5.833	180	409	–	77.881
991.466	609.189	384.416	28.993	363.796	–	3.274.812
$ 1.253.538	$ 881.559	$ 436.709	$ 29.765	$ 2.281.936	$ (99.598)	$ 5.847.032

Mercy Health

Consolidating Statement of Operations
(In Thousands)

Year Ended June 30, 2013

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
Operating revenues						
Patient service revenues (net of contractuals and discounts)	$ 277,412	$ 259,475	$ 240,738	$ –	$ 72,732	$ 67,386
Provision for uncollectible receivables	(31,479)	(26,602)	(19,694)	–	(6,343)	(6,041)
Net patient service revenues	245,933	232,873	221,044	–	66,389	61,345
Capitation revenues	–	–	–	–	–	–
Other operating revenues	8,914	4,283	5,318	–	5,202	534
Total operating revenues	254,847	237,156	226,362	–	71,591	61,879
Operating expenses						
Salaries and benefits	150,015	138,309	116,214	–	41,381	23,228
Supplies and other	112,402	100,307	94,636	–	28,068	34,387
Medical claims expense	–	–	–	–	–	–
Interest	573	573	29	–	1	2,556
Depreciation and amortization	13,115	12,978	12,332	–	3,757	3,637
Total operating expenses	276,105	252,167	223,211	–	73,207	63,808
Operating (loss) income before Joplin operations and related insurance recovery	(21,258)	(15,011)	3,151	–	(1,616)	(1,929)
Joplin insurance proceeds	–	–	–	230,174	–	–
Joplin operating revenues	–	–	–	155,848	–	–
Joplin operating expenses	–	–	–	(223,291)	–	–
Total operating (loss) income	(21,258)	(15,011)	3,151	162,731	(1,616)	(1,929)
Nonoperating gains (losses)						
Investment returns, net	1,116	201	602	119	46	(1)
Realized and unrealized gains on interest rate swaps	–	–	–	–	–	–
Other, net	(2,627)	(4,409)	2	66	(152)	–
Total nonoperating (losses) gains, net	(1,511)	(4,208)	604	185	(106)	(1)
(Deficit) excess of revenues over expenses	(22,769)	(19,219)	3,755	162,916	(1,722)	(1,930)
Other changes in unrestricted net assets						
Transfers from (to) Mercy, net	–	–	–	49	–	–
Pension liability adjustments	–	–	–	–	–	–
Net assets released from restrictions for property acquisitions	–	–	–	–	195	–
Other	1	45	–	124	125	(306)
Increase (decrease) in unrestricted net assets	$ (22,768)	$ (19,174)	$ 3,755	$ 163,089	$ (1,402)	$ (2,236)

St. Louis	Springfield	Oklahoma	MML	Mercy	Eliminations	Total
$ 1,319,533	$ 1,420,495	$ 691,446	$ 319	$ 715	$ (142,317)	$ 4,207,934
(67,136)	(120,043)	(56,183)	–	54	–	(333,467)
1,252,397	1,300,452	635,263	319	769	(142,317)	3,874,467
30,646	232,961	–	–	–	–	263,607
47,227	87,172	42,126	2,533	616,028	(576,526)	242,811
1,330,270	1,620,585	677,389	2,852	616,797	(718,843)	4,380,885
727,507	796,696	336,773	2,585	340,156	(142,317)	2,530,547
495,748	578,721	278,477	1,559	201,619	(576,526)	1,349,398
119	110,629	–	–	–	–	110,748
3,896	10	12	–	5,326	–	12,976
71,952	55,928	25,638	186	87,003	–	286,526
1,299,222	1,541,984	640,900	4,330	634,104	(718,843)	4,290,195
31,048	78,601	36,489	(1,478)	(17,307)	–	90,690
–	–	–	–	–	–	230,174
–	–	–	–	–	–	155,848
–	–	–	–	–	–	(223,291)
31,048	78,601	36,489	(1,478)	(17,307)	–	253,421
2,171	(64)	415	2,776	150,275	–	157,656
–	–	–	–	16,353	–	16,353
(2,816)	30	(102)	–	(2,669)	–	(12,677)
(645)	(34)	313	2,776	163,959	–	161,332
30,403	78,567	36,802	1,298	146,652	–	414,753
288,638	(11,732)	(1,298)	–	(275,657)	–	–
–	–	–	–	45,427	–	45,427
1,560	–	4,477	6	–	–	6,238
(27)	3,012	2,263	(1)	471	–	5,707
$ 320,574	$ 69,847	$ 42,244	$ 1,303	$ (83,107)	$ –	$ 472,125

Mercy Health

Consolidating Statement of Changes in Net Assets

Year Ended June 30, 2013
(In Thousands)

	Fort Smith	Hot Springs	Rogers	Joplin	Kansas	Carthage
Increase (decrease) in unrestricted net assets	$ (22.768)	$ (19.174)	$ 3.755	$ 163.089	$ (1.402)	$ (2.236)
Restricted net assets						
Pledges, bequests, and gifts for specific purposes	504	(14)	1.104	3.871	2	250
Investment returns, net	–	19	–	–	–	–
Net assets released from restrictions	(951)	(323)	(237)	(507)	(206)	–
Other	–	5	–	709	–	–
Increase (decrease) in restricted net assets	(447)	(313)	867	4.073	(204)	250
Change in net assets	(23.215)	(19.487)	4.622	167.162	(1.606)	(1.986)
Net assets at beginning of year	225.295	103.728	140.990	230.981	59.604	10.864
Net assets at end of year	$ 202.080	$ 84.241	$ 145.612	$ 398.143	$ 57.998	$ 8.878

	St. Louis	Springfield	Oklahoma	MML	Mercy	Eliminations	Total
$	320.574	$ 69.847	$ 42.244	$ 1.303	$ (83.107)	$ –	$ 472.125
	5.396	4.661	3.396	1.109	45	–	20.324
	1.902	1.976	1	–	–	–	3.898
	(6.774)	(1.983)	(5.541)	(1.094)	(90)	–	(17.706)
	186	(74)	–		(716)	–	110
	710	4.580	(2.144)	15	(761)	–	6.626
	321.284	74.427	40.100	1.318	(83.868)	–	478.751
	670.182	534.762	344.316	27.675	447.664	–	2.796.061
$	991.466	$ 609.189	$ 384.416	$ 28.993	$ 363.796	$ –	$ 3.274.812

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