

See a Social Security Number? Say Something! Report Privacy Problems to https://public.resource.org/privacy Or call the IRS Identity Theft Hotline at 1-800-908-4490



DLN: 93493134071624

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)

2012

OMB No 1545-0047

Form **990**

Department of the Treasury

Open to Public

Fort	the 2012 ca	lendar year, or tax year beginning	07-01-2012 , 2012, and endi	ing 06-30-2	2013			Inspection
	k if applicable	C Name of organization Mercy Hospital Berryville				D Employer	ident	ification number
_	ess change e change	Doing Business As				71-0759	299	
_	l return	Number and street (or P O box if ma	ul is not delivered to street address)	Poom/suite				
- Term	ınated	214 Carter Street Suite	iii is not delivered to street address)	Room/ suite		E Telephone		
Amen	nded return	City or town, state or country, and Z	P + 4			(314)57	9-61	.00
Applic	cation pending	Berryville, AR 72616				G Gross rece	ıpts \$ 2	25,764,813
		F Name and address of princ	cipal officer		H(a) Is this		turn f	
		Sherry Clouse Day 214 Carter St			affiliat	es?		Γ Yes Γ No
		Berryville, AR 72616						ed?「Yes「No
Tax-	exempt status	·	sert no)	27	If "No	," attach a	ıst (see instructions)
Wel	bsite: ► W	WW MERCY NET		·	H(c) Group	exemption	num	ber ► 0928
		Trust Association Trust Association	Other In-		L Year of for	nation 1993	M c	tate of legal domicile AF
Part		imary	, other P		L rear or ion	Hation 1993	1113	tate of legal doffficile. An
		describe the organization's mission Sisters of Mercy before us, we brin			ough our co	mpassionat	e car	e and exceptional
	2 Check	his box 🛏 if the organization dis	continued its operations or dis	sposed of n	nore than 25	5% of its ne	tass	ets
	3 Number	of voting members of the governi	ng body (Part VI, line 1a)			. 1	з	1
		of independent voting members o				_	4	
	5 Total n	ımber of ındıvıduals employed ın c	alendar year 2012 (Part V , lın	e 2a) .		[5	21
	6 Total n	ımber of volunteers (estımate ıf ne	cessary)			· L	6	7
		nrelated business revenue from Pa				_	7a	
_	b Net unr	elated business taxable income fro	om Form 990-T, line 34				7b	
				-	Prior	Year	_	Current Year
,			grants (Part VIII, line 1h)		70,632		_	196,953
		am service revenue (Part VIII, lir		23,010,32		-	25,416,280	
:		tment income (Part VIII, column			134,994			1,051
'		, , , , , , , , , , , , , , , , , , , ,	VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) nes 8 through 11 (must equal Part VIII, column (A), line			134,994	+	150,529
		· · · · · · · · · · · · · · · · · · ·		` ''		23,210,64	Э	25,764,813
1	13 Grant	s and similar amounts paid (Part 1	X, column (A), lines 1-3).	[2,88	2	10,908
1	14 Bene	its paid to or for members (Part I)	(, column (A), line 4)	[(C
r ا 1	15 Salar 5-10	ies, other compensation, employed	e benefits (Part IX, column (A)), lines		9,766,97	4	10,016,063
		, ssional fundraising fees (Part IX, o	column (A), line 11e)					C
<u>{</u>		undraising expenses (Part IX, column (D)						
		expenses (Part IX, column (A), li	· ·	[11,651,46	4	12,107,277
1	18 Total	expenses Add lines 13-17 (mus	t equal Part IX, column (A), lır	ne 25)		21,421,32)	22,134,248
_	19 Reve	nue less expenses Subtract line 1	8 from line 12			1,789,329	9	3,630,565
26 es						of Current		End of Year
뻍 2	20 Total	assets (Part X, line 16)				9,351,33	3	9,509,454
ш		liabilities (Part X, line 26)				326,27		904,028
		ssets or fund balances Subtract I	ine 21 from line 20	[9,025,05	5	8,605,426
Part		nature Block						
y kno		perjury, I declare that I have exa belief, it is true, correct, and com nowledge			officer) is b	ased on all		
ian	Sign	ature of officer			201 Dat	.4-05-09 e		
ign ere	[, -	t Reynolds Treasurer						
-		e or print name and title						
		Print/Type preparer's name	Preparer's signature	Date	I Cliec	^ i	IN	
aid		Firm's name FRNST & YOUNG US LLI	<u> </u>	<u> </u>		employed s		
-	arer						20. 4 = -	
se (Only	Firm's address 🟲 190 CARONDELET PLAZ	SUILE 1300		Phon	e no (314) 2	9U-10C	υ
		CLAYTON, MO 63105						

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

┌Yes ┌No

Par	· IIII		of Program Servi ule O contains a resp		lishments uestion in this Part III				
1	Briefl	y describe the o	rganızatıon's mıssıon						
As th	ne Siste	ers of Mercy befo	ore us, we bring to life	the healing m	ınıstry of Jesus throug	gh our compassionate care and ex	ceptional service		
2	the pr	or Form 990 or	990-EZ?		ervices during the yea	r which were not listed on	┌ Yes ┌ No		
			se new services on So						
3	Did the organization cease conducting, or make significant changes in how it conducts, any program services?								
_	If "Ye	s," describe thes	e changes on Sched	ıle O					
4	exper	ses Section 50) organization:	s are required to repor	ree largest program services, as in the amount of grants and allocat			
4a	(Code	9) (Expenses \$	19,507,301	ıncludıng grants of \$	10,908) (Revenue \$	25,416,280)		
	TRAD SERV	ITIONAL MEDICAL SE E, WITH PARTICULAI	TTINGS THIS ORGANIZAT	TION, AS PART OF DNOMICALLY POO	MERCY HEALTH SPRINGFI R, IN THE WAY OF INPATIE	COMPASSIONATE, FAITH-BASED HEALTH C IELD COMMUNITIES, PROVIDES SERVICES NT HOSPITAL SERVICES, OUTPATIENT SEF	TO THE COMMUNITIES WE		
4b	(Code	2) (Expenses \$		including grants of \$) (Revenue \$)		
4c	(Code	3) (Expenses \$		including grants of \$) (Revenue \$)		
		-	ces (Describe in Sche		f¢)(Revenue \$			
		enses \$		uding grants o	·) (Revenue \$)		
4e	Tota	l program servic	e expenses 🗠	19,507,301					

Part IV	Checklist o	f Red	uired	Sche	dules

			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		No
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^{\bullet}	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 $\sqrt{2}$	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			
а	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		No
е	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16		No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If</i> "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	

Par	t 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 1^2 If "Yes," complete Schedule I, Parts I and II	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? 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)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	,		1
		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		Νo
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	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?	38	Yes	

	Check if Schedule O contains a response to any question in this Part V	-	Yes	N
La	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable 1a 0			
)	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b 0			
С	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		
a.	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			
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	
	Did the organization have unrelated business gross income of \$1,000 or more during the year?	За		
	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b		1
	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	ı.	١
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			
ia	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		<u> </u>
	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			'
		5b		<u> </u>
C	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
ā	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		١
	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	ı	
	Organizations that may receive deductible contributions under section 170(c).			
	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		1
	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
С	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		ľ
d	If "Yes," indicate the number of Forms 8282 filed during the year			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		r
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		١
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
}	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?		1	
,	Sponsoring organizations maintaining donor advised funds.	8		
a	Did the organization make any taxable distributions under section 4966?	9a		
ь	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
_	Section 501(c)(7) organizations. Enter			
	Initiation fees and capital contributions included on Part VIII, line 12 10a			
	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			
	Section 501(c)(12) organizations. Enter			
а	Gross income from members or shareholders			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
	If "Yes," enter the amount of tax-exempt interest received or accrued during the year			
	Section 501(c)(29) qualified nonprofit health insurance issuers.			
а	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			
_	This which the organization is incensed to issue qualified fleath plans	-		
ت		14a		 .
_	Did the organization receive any payments for indoor tanning services during the tax year?			ΙN

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.

Se	ection A. Governing Body and Management			
			Yes	No
1 a	Enter the number of voting members of the governing body at the end of the tax 13			
	year			
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent			
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			
а	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
_				
Se	ection B. Policies (This Section B requests information about policies not required by the Internal R	evenu	ie Cod	e.)
Se	ection B. Policies (This Section B requests information about policies not required by the Internal R	evenu	Yes	e.) No
	Did the organization have local chapters, branches, or affiliates?	evenu 10a		
L0a				No
LOa b	Did the organization have local chapters, branches, or affiliates?	10a		No
LOa b L1a	Did the organization have local chapters, branches, or affiliates?	10a 10b	Yes	No
LOa b L1a b	Did the organization have local chapters, branches, or affiliates?	10a 10b	Yes	No
LOa b L1a b L2a b	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a	Yes	No
LOa b L1a b L2a b	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a	Yes Yes	No
10a b 11a b 12a b	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a 12b	Yes Yes Yes	No
10a b 11a b 12a b c	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a 12b	Yes Yes Yes Yes	No
LOa b L1a b L2a b	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a 12b 12c 13	Yes Yes Yes Yes Yes Yes	No
10a b 11a b 12a b c	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a 12b 12c 13	Yes Yes Yes Yes Yes Yes	No
10a b 11a b 12a b c	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes	No No
10a b 11a b 12a b c	Did the organization have local chapters, branches, or affiliates? 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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official	10a 10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes	No No
10a b 11a b 12a b c 13 14 15 a b	Did the organization have local chapters, branches, or affiliates? 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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions) Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	10a 10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes	No No
10a b 11a b 12a b c 13 14 15 a b	Did the organization have local chapters, branches, or affiliates?	10a 10b 11a 12a 12b 12c 13 14 15a 15b	Yes Yes Yes Yes Yes Yes	No No No No
10a b 11a b 12a b c 13 14 15 a b	Did the organization have local chapters, branches, or affiliates? 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? Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? Describe in Schedule O the process, if any, used by the organization to review this Form 990 Did the organization have a written conflict of interest policy? If "No," go to line 13 Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done Did the organization have a written whistleblower policy? Did the organization have a written document retention and destruction policy? 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? The organization's CEO, Executive Director, or top management official Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions) Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? 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	10a 10b 11a 12a 12b 12c 13 14	Yes Yes Yes Yes Yes Yes	No No No No

- 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)
- 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
- State the name, physical address, and telephone number of the person who possesses the books and records of the organization ►Sherry Clouse Day 214 Carter St Berryville, AR (314) 579-6100

<u>Part VII</u> Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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	more pers	than on is	one bot	not box h an or/tr	offic ustee	ess er e)	(D) Reportable compensation from the organization (W- 2/1099-	(E) Reportable compensation from related organizations	(F) Estimated amount of other compensation	
	for related organizations below dotted line)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	(W- 2/1099- MISC)	(W- 2/1099- MISC)	from the organization and related organizations	
(1) Barbe MD David O	5 0								200.047	52.424	
Physician & Board member	55 0	X						0	299,917	52,431	
(2) Bland Gene	1 0										
Board member	0 0	X						0	0	(
(3) Estrem Kristy K	50 0										
President	10 0	X						0	183,657	26,456	
(4) Harp Richard	100										
Board member	1.0	X						0	0	(
(5) Koelsch RSM Sr Cabrini	1 0										
		Х						0	0	(
Board member (6) McGowen Milton	40 0										
(6) Medowell Millon	1 0	X						0	0	(
Board member	1 0										
(7) Mılam MD Craıg	5 0	x						0	159,730	12,014	
Physician & Board member	55 0								,	<u> </u>	
(8) Ray Bill	1 0	×						0	0	(
Board member	1 0	_ ^						ŭ	ŭ		
(9) Schaefer Michele M	2 0	,,							464.000	60.026	
Sr VP-Regional Operations	58 0	X						0	464,903	60,929	
(10) Thurman Greg	1 0										
Board member	0 0	X						0	0	(
(11) Villines Suzanne	1 0	 			\vdash						
Board member		X						0	0	(
(12) Whiteley Ronnie	1 0			-	_						
		Х						0	0	(
Board member (13) Steele MD Robert	0 0										
	20	X		Х				0	523,478	42,724	
PRES MERCY SPFD- START 3/1/13	58 0				_						
(14) Swope Jon	1 0	l x		X				0	758,712	230,689	
PRES CENTRAL COMM START 3/1/13	59 0								,	, 	
(15) Knackstedt Chris	2 0			×				0	1,087,038	83,106	
CFO- THROUGH 12/31/12	58 0			Ĺ	L				1,007,036		
(16) Reynolds Scott R	2 0			Ü					207.020	20.101	
VP-Finance	58 0			Х				0	307,020	38,103	
(17) Clouse Day Sherry	15 0										
VP-Finance	45 0				Х			0	183,888	16,736	
vi i matrice	45 0									Form 990 (2012	

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

	(A) Name and Title	(B) A verage hours per week (list any hours	more pers	than on is	one bot	not box thar	chec k, unle n offic rustee	ess er	(D) Reportable compensation from the organization	(E) Reportable compensation from related organizations	(F Estim amount comper from	nated of other nsation the
		for related organizations below dotted line)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	(W- 2/1099- MISC)	(W- 2/1099- MISC)	organi and re organiz	lated
(18) [Day Bradley Kım	1 0				X			0	987,614		348,680
	CENTRAL COMM- Thru 3/1/13	59 0								,		
` '	Marion Tanya	1 0				x			0	232,635	į	43,308
	nal VP-Human resources Merrigan Michael	59 0 1 0				\vdash						
` '	nal VP-General Counsel	59 0				X			0	378,450		56,809
	David MD Andrew	60 0	-									
Physic	cian	0 0					X		247,595	C	1	19,686
	Phillippe Robert	60 0					ļ ,,		465.460	_		3.100
Nurse	anesthetist	0 0					Х		165,163	C		3,106
(23) 9	Shapter MD Janet	60 0					x		247,027	C		11,609
Physic		0 0					<u> </u>		217,027			
(24) 9	Gieg Mike	60 0					x		119,838	C		13,961
	or, pharmacy services Namer DO Milo	0 0 60 0				-						
. ,							х		236,330	C		18,109
Medic	al director	0 0				\vdash						
					_	-						
						H						
							<u> </u>		<u> </u>			
1b	Sub-Total			•	•		-					
c d	Total from continuation sheets to P Total (add lines 1b and 1c)			•	•		. ⊢		1,015,953	5,567,042		1,078,456
2	Total number of individuals (includin		those	lista	d a	hove) who	rec		-,,		
_	\$100,000 of reportable compensation						.,	,,,,				
											Yes	No
3	Did the organization list any former	officer director or	trustea	ke'	vem	יסומר	vee o	r hic	nhest compensate	d employee	163	140
•	on line 1a? If "Yes," complete Schedu							•		3		No
4	For any individual listed on line 1a, i	s the sum of report	table c	ompe	ensa	ation	and	othe	r compensation fr	om the		
	organization and related organization	ns greater than \$1	50,000)? <i>If</i>	"Yes	s,"c	omple	te S	chedule J for such			
_	ındıvıdual		• •	٠.	•	•	•	•		4	Yes	
5	Did any person listed on line 1a rece services rendered to the organizatio		•			,			-			
										5		No
Se	ection B. Independent Contra	ctors										
1	Complete this table for your five high	nest compensated										
	compensation from the organization	(A)	tion for	the	cale	enda	ryear	end	ing with or within	the organization's	tax year (C	
	Name a	nd business address							Descripti	on of services	Compe	
									+			

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 \blacktriangleright 0

Part V		Statement of Revenue				
		Check if Schedule O contains a response to any question	(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512,513,or 514
0	1a	Federated campaigns 1a				
ints	ь	Membership dues 1b				
Gra moi	С	Fundraising events 1c 0				
Ē.	d	Related organizations 1d				
13 E		Government grants (contributions) 1e 196,953				
ns,	e					
utic ře ř	f	All other contributions, gifts, grants, and similar amounts not included above				
를 불	g	Noncash contributions included in lines 1a-1f \$				
Contributions, Giffs, Grants and Other Similar Amounts	h	Total. Add lines 1a-1f	196,953			
		Business Code				
anue	2a	Net Patient Service Reven 622110	25,354,977	25,354,977	0	C
. Ag	ь	Other Operating Revenue 900099	43,903	43,903	0	0
93	С	Rent from Related Orgs 531120	17,400	17,400	0	C
Z.	d					
Ę l	е					
Program Serwce Revenue	f	All other program service revenue				
Δ	g	Total. Add lines 2a−2f	25,416,280			
	3	Investment income (including dividends, interest, and other similar amounts)	1,051			1,051
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
		(ı) Real (ıı) Personal				
	6a	Gross rents				
	Ь	Less rental expenses				
	С	Rental income 0 0 0 or (loss)				
	d	Net rental income or (loss)	0			
	7-	(1) Securities (11) O ther Gross amount				
	7a	from sales of assets other				
		than inventory				
	ь	Less cost or other basis and				
	С	sales expenses Gain or (loss)				
	d	Net gain or (loss)	0			
enne	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c)				
Other Revenue		See Part IV, line 18 a				
듄	b c	Less direct expenses b 0 Net income or (loss) from fundraising events b	0			
		Gross income from gaming activities See Part IV, line 19				
	ь	Less direct expenses b				
	С	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances .				
	ь	Less cost of goods sold b				
	С	Net income or (loss) from sales of inventory	0			
		Miscellaneous Revenue Business Code				
	_	Cafe & Vending	150,529		0	150,529
	b					
	c					
	d	All other revenue				
	e	Total. Add lines 11a-11d ▶	150,529			
	12	Total revenue. See Instructions	25,764,813	25,416,280	0	151,580

	990 (2012)				Page 10
	Statement of Functional Expenses			laha saluman (A.)	
ectio	on 501(c)(3) and 501(c)(4) organizations must complete all columns All			iete column (A)	
	Check if Schedule O contains a response to any question in this Pa		(B)	(c)] (D)
	ot include amounts reported on lines 6b, o, 9b, and 10b of Part VIII.	(A) Total expenses	Program service expenses	Management and general expenses	Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	10,908	10,908		
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 $4958(c)(3)(B)$	0	0	0	0
7	Other salaries and wages	8,082,187	6,686,871	1,395,316	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	332,458	275,940	56,518	0
9	Other employee benefits	1,086,182	901,531	184,651	0
10	Payroll taxes	515,236	427,646	87,590	0
11	Fees for services (non-employees)				
а	Management	0	0	0	0
b	Legal	0	0	0	0
С	Accounting	0	0	0	0
d	Lobbying	2,926	2,926	0	0
е	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)	683,998	671,091	12,907	0
12	Advertising and promotion	327	0,1,031	327	0
 L3	Office expenses	455,415	388,424	66,991	0
L4	Information technology	0	0	0	0
15	Royalties	0	0	0	0
16	Occupancy	274,205	226,299	47,906	0
.7	Travel	29,755	17,332	12,423	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
L9	Conferences, conventions, and meetings	0	0	0	0
20	Interest	6,750	6,750	0	0
21	Payments to affiliates	0	0	0	0
22	Depreciation, depletion, and amortization	761,404	609,123	152,281	0
23	Insurance	153,661	153,661	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)				
а	Bad Debt Expense	5,831,324	5,831,324	0	0
b	Repairs & Maint	365,874	9,711	356,163	0
c	Shared Service Fees	1,952,838	1,720,791	232,047	0
d	Medical Supplies Expense	1,536,397	1,536,397	0	0
e	All other expenses	52,403	30,576	21,827	
25	Total functional expenses. Add lines 1 through 24e	22,134,248	19,507,301	2,626,947	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ► ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Par	't 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
	1	Cash—non-interest-bearing	812,524	1	330,593
	2	Savings and temporary cash investments	0	2	0
	3	Pledges and grants receivable, net	0	3	0
	4	Accounts receivable, net	2,242,506	4	2,623,777
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			
Assets	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	_	0
			0	-	0
اري ال	7	Notes and loans receivable, net	0	7	0
_	8	Inventories for sale or use	320,592	8	342,720
	9	Prepaid expenses and deferred charges	40,821	9	85,481
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D 16,442,692			
	Ь	Less accumulated depreciation	5,934,890	10c	6,126,883
	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	0	15	0
	16	Total assets. Add lines 1 through 15 (must equal line 34)	9,351,333	16	9,509,454
	17	Accounts payable and accrued expenses	1,277	17	734,028
	18	Grants payable	0	18	0
	19	Deferred revenue	0	19	0
	20	Tax-exempt bond liabilities	0	20	0
Ø	21	Escrow or custodial account liability $\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \$	0	21	0
Liabilitie	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified			
æ		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	225 222		470.000
		D	325,000	25	170,000
	26	Total liabilities. Add lines 17 through 25	326,277	26	904,028
on dh		Organizations that follow SFAS 117 (ASC 958), check here ▶ ┌ and complete lines 27 through 29, and lines 33 and 34.			
Ë	27	Unrestricted net assets	9,025,056	27	8,605,426
<u>छ</u>	28	Temporarily restricted net assets	0,525,555	28	0,000,420
<u>∞</u>	29	Permanently restricted net assets	0	29	0
Fund Balance		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ┌ and		23	<u> </u>
5		complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
Assets	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds	0.222.22	32	0.007.175
Ř	33	Total net assets or fund balances	9,025,056	33	8,605,426
	34	Total liabilities and net assets/fund balances	9,351,333	34	9,509,454

	NY Decompilistics of Net Appets			'	age ==
Par	Reconcilliation of Net Assets Check If Schedule O contains a response to any question in this Part XI				৮
1	Total revenue (must equal Part VIII, column (A), line 12)	1		25.7	764,813
2	Total expenses (must equal Part IX, column (A), line 25)				
		2		22,1	134,248
3	Revenue less expenses Subtract line 2 from line 1	3		3,6	30,565
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))				
_		4		9,0	25,056
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		-4,0	50,195
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33,	10		2.6	
Dar	t XII Financial Statements and Reporting	10		8,6	05,426
Fai	Check if Schedule O contains a response to any question in this Part XII				. ᅜ
	- Check in beheatile of contains a response to any question in this rate XII i i i i i i i i i	•	•	Yes	No
				163	140
1	Accounting method used to prepare the Form 990				
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 review a separate basis, consolidated basis, or both	wed on			
	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 sepa basis, consolidated basis, or both	rate			
	☐ Separate basis ☐ Both consolidated and separate basis			1	
С	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversigh audit, review, or compilation of its financial statements and selection of an independent accountant?	t of the	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain it Schedule O	1			
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?	e	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the raudit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	equired	3b		

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493134071624

Employer identification number

OMB No 1545-0047

SCHEDULE A

(Form 990 or 990EZ)

Name of the organization

Mercy Hospital Berryville

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.

2012

Open to Public Inspection

									71-07592		
	rt I			blic Charity Sta		•		•		nstruction	ns.
	organı —		•	te foundation becaus	•		- ,	•	•		
1			-	on of churches, or a				ection 170((b)(1)(A)(i).		
2	Г	A scho	ol described	in section 170(b)(1	l)(A)(ii). (At	tach Sched	ule E)				
3	✓	A hosp	ıtal or a coo	perative hospital se	rvice organiz	zatıon descr	ibed in sectio	n 170(b)(1)(A)(iii).		
4	Γ	A medi	cal researc	h organization opera	ted ın conjun	ction with a	hospital des	cribed in se	ection 170(b)(1)(A)(iii)	. Enter the
_	_			ty, and state							
5	ı	_	•	erated for the benefi	-	or universi	ty owned or o	perated by	a government	tal unit des	scribed in
		sect ion	170(b)(1)(A)(iv). (Complete P	art II)						
6	Г	A feder	al, state, or	local government o	government	al unit desc	rıbed ın secti	ion 170(b)(1)(A)(v).		
7	Г			at normally receives			support from	a governm	ental unit or f	rom the ge	neral public
8	Г			n 170(b)(1)(A)(vi). described in sectio r			mplete Part II	[)			
9			-	at normally receives			•	-	butions, mem	bership fe	es, and gross
	·	_		ities related to its e			* *		•	-	· =
		•		oss investment inco	· ·	=					
				ganızatıon after June						,	
10	Г	•	,	ganized and operated	•			•	•		
11	<u></u>	_		ganized and operated						o carry ou	t the nurnoses of
	,			ly supported organiz							
		the box	that descri	bes the type of supp	orting organ	ızatıon and	complete line	s 11e thro	ugh 11h		
		a	Type I	b	┌ Type II	I - Function	ially integrate	ed d	Type III - No	on-function	nally integrated
e	Γ	•	-	ox, I certify that the	_				, ,		•
				on managers and ot	her than one	or more pub	olicly support	ed organiza	itions describ	ed in secti	on 509(a)(1) or
f			1509(a)(2)	received a written de	etermination	from the IP	S that it is a	Type I Tyr	ne II or Type	III suppo	rting organization
•			this box	received a writteri d	ecerminacion	mom the riv	S that it is a	iype i, iyp	be II, or Type	III Suppo	
g				2006, has the organ	ızatıon accep	ted any gift	or contributi	on from any	of the		•
			ng persons?								
				irectly or indirectly o	•		-	persons de	escribed in (ii)		Yes No
				governing body of th		_	n?				lg(i)
		(ii) A fa	amıly memb	er of a person descr	ıbed ın (ı) abı	ove?				11	.g(ii)
		(iii) A	35% contro	lled entity of a perso	n described	ın (ı) or (ıı)	above?			11	g(iii)
h		Provide	the followi	ng information about	the supporte	ed organizat	ion(s)				
	i) Nan	6	(::) ETN	(III) Tuna af	(:.) To ((1) D.d.,		(n.i) I a		
•	i) Naii Suppoi		(ii) EIN	(iii) Type of organization	(iv) Is t organızatı		(v) Did you the organi:		(vi) Is organizat		(vii) A mount of monetary
	rganiz			(described on	col (i) list		ın col (i) d		col (i) org		support
	_			lines 1 - 9 above	yourgove	rnıng	suppor	t?	ın the U	S?	
				or IRC section	docume	nt?					
				(see							
				instructions))	Yes	No	Yes	No	Yes	No	
= :						 	1	1	1		

Sch	edule A (Form 990 or 990-EZ) 2012							Page 2
Pa	(Complete only if you o	hecked the bo	x on line 5, 7,	or 8 of Part I o	r if the organiza	ation faile	ed to q	
	Part III. If the organiza ection A. Public Support	tion fails to qu	alify under the	tests listed bel	ow, please com	<u>iplete Pa</u>	rt III.)	
	ection A. Public Support endar year (or fiscal year beginning					1		
	in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2	312	(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							
6	(f) Public support. Subtract line 5 from							
	line 4							
S	ection B. Total Support							
Cal	endar year (or fiscal year beginning	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 20)12	(f) Total
_	in) ► A mounts from line 4		. ,		. ,	, ,		. ,
7 8	Gross income from interest,							
0	dividends, payments received on							
	securities loans, rents, royalties							
	and income from similar							
9	sources Net income from unrelated							
9	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							
4.0	10)		<u> </u>					
12	Gross receipts from related activitie					12		
13	First five years. If the Form 990 is this box and stop here							ization, check
	ection C. Computation of Pub				<u> </u>	<u> </u>		
14	Public support percentage for 2012			11, column (f))		14		
15	Public support percentage for 2011			, , , , , , ,		15		
	33 1/3% support test—2012. If the o	· ·	•	on line 13 and l	ine 14 is 33 1/20%		chack ti	nie hov
104	and stop here. The organization qua				me 1 1 13 33 1/3/0	or more,	JIICCK CI	► □
b	33 1/3% support test—2011. If the				and line 15 is 33	3 1/3% or n	nore, ch	eck this
	box and stop here. The organization						. 4 4	▶□
1/a	10%-facts-and-circumstances test- is 10% or more, and if the organizat							•
	in Part IV how the organization mee							
	organization				4	r	,rF3	▶ □
b	10%-facts-and-circumstances test-							
	15 is 10% or more, and if the organ Explain in Part IV how the organizat							lv
	supported organization	ion meets the T	acts-ana-cncum:	stances test III	ic organization qu	uiiiiE5 45 i	a public	·y ▶□
18	Private foundation. If the organizat	on did not check	c a box on line 13	, 16a, 16b, 17a,	or 17b, check thi	s box and	see	·
	instructions							▶ ┌

Schedule A (Form 990 or 990-EZ) 2012 Page 3 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 (a) 2008 **(b)** 2009 (c) 2010 (d) 2011 (e) 2012 (f) Total in) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") 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						
3	furnished by a governmental unit to						
	the organization without charge						
6	Total. Add lines 1 through 5						
	Amounts included on lines 1, 2,						
<i>7</i> a	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						
С	Add lines 7a and 7b						
8	Public support (Subtract line 7c						
	from line 6)						
_Se	ction B. Total Support						
Cale	ndar year (or fiscal year beginning	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
	in) ►	(u) 2000	(6) 2003	(6) 2010	(4) 2011	(6) 2012	(1) 10tai
9	A mounts from line 6						
10a	Gross income from interest,						
	dividends, payments received on						
	securities loans, rents, royalties						
	and income from similar						
	sources						
Ь	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						
11	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)			Librari Corretto con	6.01	E04(-)(2)	
14	First five years. If the Form 990 is for	or the organization	on's first, second	i, thira, fourth, or	ππη tax year as a	1 501(c)(3) org	anization, ►
	check this box and stop here	a Cunnaut Da					
	ction C. Computation of Public			1.2		T I	
15	Public support percentage for 2012			13, column (T))		15	
16	Public support percentage from 2011	L Schedule A, Pa	art III, line 15			16	
Se	ction D. Computation of Inve	stment Inco	me Percenta	ge			
17	Investment income percentage for 20				nn (f))	17	
					. , ,		
18	Investment income percentage from					18	
19a	33 1/3% support tests—2012. If the o						ıd lıne 17 ıs not ▶□

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

Schedule A (Form 990 or 990-EZ) 2012

DLN: 93493134071624

OMB No 1545-0047

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.

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 Berryville 71-0759299 Complete if the organization is exempt under section 501(c) or is a section 527 organization. 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). 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 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? 3 Was a correction made? ☐ Yes □ No If "Yes," describe in Part IV Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3). Enter the amount directly expended by the filing organization for section 527 exempt function activities 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 Did the filing organization file Form 1120-POL for this year? 4 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 **(c)** EIN (e) A mount of political (a) Name (b) Address (d) A mount paid from contributions received filing organization's and promptly and funds If none, enter -0directly delivered to a separate political organization If none, enter-0-

e Grassroots ceiling amount (150% of line 2d, column (e))

f Grassroots lobbying expenditures

Sch	nedule C (Form 990 or 990-EZ) 2012					Page 2
Pa	art II-A Complete if the organization	is exempt under	section 501(c)(3) and fil	ed Form 5768	(election
_	under section 501(h)). Check ► if the filing organization belongs to a	an affiliated group (and	lict in Part IV os	ach affiliated are	un mambar's nam	o addross EIN
	expenses, and share of excess lobb	ying expenditures)		_	up member s nam	e, address, LTN
<u>B</u>	Check Frifthe filing organization checked box	x A and "limited contro	ıl" provisions apı	oly		
	Limits on Lobbying E (The term "expenditures" means an		l .)		(a) Filing organization's totals	(b) Affiliated group totals
1a	Total lobbying expenditures to influence public o	pınıon (grass roots lob	bying)			
b	Total lobbying expenditures to influence a legisla	ative body (direct lobb	yıng)			
c	Total lobbying expenditures (add lines 1a and 1b	o)				
d	O ther exempt purpose expenditures					
e	Total exempt purpose expenditures (add lines 1c	c and 1d)				
f	Lobbying nontaxable amount Enter the amount fo					
	If the amount on line 1e, column (a) or (b) is:	The lobbying nontax	able amount is:			
	Not over \$500,000	20% of the amount on li	ne 1e			
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the	e excess over \$500,0	000		
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the	e excess over \$1,000	0,000		
	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				
	Grassroots nontaxable amount (enter 25% of lin	e 1f)				
_	Subtract line 1g from line 1a If zero or less, ente	•		-		
i	Subtract line 1f from line 1c If zero or less, ente			-		
_	If there is an amount other than zero on either lin		organization file	Form 4720 rep	ortina	1
-	section 4911 tax for this year?					┌ Yes ┌ No
_	4-Voor Av	veraging Period U	Inder Section	F01/b)		
	(Some organizations that made a scolumns below. See the	section 501(h) el	ection do not	have to cor		ne five
	Lobbying Expe	enditures During	4-Year Avera	ging Period		1
	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 nontavable amount					

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)).	

or o	each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying	(8	1)	(D)
	res response to lines 1a timough 11 below, provide in Part 1V a decaned description of the lobbying vity.	Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
а	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		Νo	
C	Media advertisements?		Νo	C
d	Mailings to members, legislators, or the public?		Νo	C
е	Publications, or published or broadcast statements?		Νo	C
f	Grants to other organizations for lobbying purposes?		Νo	C
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		Νo	C
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	C
i	O ther activities?	Yes	ĺ	2,926
j	Total Add lines 1c through 1i			2,926
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?			
Dat	$\pm 10-4$. Complete if the organization is exempt under section $501(c)(4)$, section	501(c	1(5) 0	r section

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		

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

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).		
а	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	

Part IV Supplemental Information

5 Taxable amount of lobbying and political expenditures (see instructions)

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, PART II-B, LINE 1 (I)		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 \$8,934, \$5,568 AND \$2,401, RESPECTIVELY APPROXIMATELY 17% OF ARKANSAS HOSPITAL ASSOCIATION DUES, 23 98% OF AMERICAN HOSPITAL ASSOCIATION DUES AND 3 0% OF CATHOLIC HEALTH ASSOCIATION DUES WERE ATTRIBUTABLE TO LOBBYING ACTIVITIES PREFORMED BY THESE ASSOCIATIONS

b Assets included in Form 990, Part X

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

DLN: 93493134071624

OMB No 1545-0047

Open to Public Inspection

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

► 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.

Supplemental Financial Statements

Name of the organization **Employer identification number** Mercy Hospital Berryville

		71-0759299
		r Funds or Accounts. Complete if the
organization answered "Yes" to Forr	(a) Donor advised funds	(b) Funds and other accounts
Total number at end of year	(a) boner darrised rands	(2) Fallas alla seller associates
Aggregate contributions to (during year)		
Aggregate grants from (during year)		
Aggregate value at end of year		
Did the organization inform all donors and donor	r advisors in writing that the assets held in	donor advised
funds are the organization's property, subject to		
Did the organization inform all grantees, donors, used only for charitable purposes and not for the conferring impermissible private benefit?		
t II Conservation Easements. Comp	lete if the organization answered "Ye	<u> </u>
Purpose(s) of conservation easements held by t	-	25 to 101111 550, 1 art 14, 1111e 7.
Preservation of land for public use (e.g., recr Protection of natural habitat	reation or education) Preservation of	of an historically important land area of a certified historic structure
Preservation of open space		
Complete lines 2a through 2d if the organization easement on the last day of the tax year	n held a qualified conservation contribution	n in the form of a conservation
		Held at the End of the Year
Total number of conservation easements		2a
Total acreage restricted by conservation easem	nents	2b
Number of conservation easements on a certifie	ed historic structure included in (a)	2c
Number of conservation easements included in historic structure listed in the National Register		2d
Number of conservation easements modified, tra	ansferred, released, extinguished, or termi	inated by the organization during
the tax year ►		
Number of states where property subject to con	servation easement is located •	
Does the organization have a written policy regardenforcement of the conservation easements it h	arding the periodic monitoring, inspection,	handling of violations, and
Staff and volunteer hours devoted to monitoring	, inspecting, and enforcing conservation ea	asements during the year
Amount of expenses incurred in monitoring, insp	pecting, and enforcing conservation easem	nents during the year
Does each conservation easement reported on land section 170(h)(4)(B)(II)?	line 2(d) above satisfy the requirements of	f section 170(h)(4)(B)(i)
In Part XIII, describe how the organization repo	xt of the footnote to the organization's finar	
	ections of Art, Historical Treasure red "Yes" to Form 990, Part IV, line 8	
If the organization elected, as permitted under S works of art, historical treasures, or other simila service, provide, in Part XIII, the text of the foo	SFAS 116 (ASC 958), not to report in its r ar assets held for public exhibition, educat	revenue statement and balance sheet ion, or research in furtherance of public
If the organization elected, as permitted under S works of art, historical treasures, or other similar service, provide the following amounts relating to	ar assets held for public exhibition, educat	
(i) Revenues included in Form 990, Part VIII, I	ine 1	▶ \$
(ii) Assets included in Form 990, Part X		<u></u>
If the organization received or held works of art, following amounts required to be reported under		ets for financial gain, provide the
	· · · · ·	
Revenues included in Form 990, Part VIII, line	1	▶ \$

Cat No 52283D

Schedule D (Form 990) 2012

	Using the organizations Maintaining Co											ntinued)
3	Using the organization's acquisition, access collection items (check all that apply)	ion, and other reco	ras, cr	іеск	•		_		_	ise or	its	
а	Public exhibition		d	Γ	Loan	or exc	hange progr	ams				
b	Scholarly research		e	Γ	Other							
c	Preservation for future generations											
4	Provide a description of the organization's co Part XIII	ollections and expla	ain hov	v the	y furthe	r the c	organızatıon	ı's ex	cempt purpos	e in		
5	During the year, did the organization solicit of assets to be sold to raise funds rather than t	o be maintained as	part o	of the	organi	zatıon	's collectior	۱۶			Yes	┌ No
Par	Part IV, line 9, or reported an an						n answere	d "Y	es" to Form	າ 990),	
1a	Is the organization an agent, trustee, custod included on Form 990, Part X?	ian or other interm	edıary	for c	ontribu	tions	or other ass	ets	not	Γ	Yes	┌ No
b	If "Yes," explain the arrangement in Part XII	I and complete the	follov	ving t	able							
										Amou	nt	
С	Beginning balance							1 c				
d	Additions during the year						_	1d				
е	Distributions during the year						_	1e				
f	Ending balance						L	1f				
2a	Did the organization include an amount on Fo	orm 990, Part X, lin	e 21?							Γ	Yes	┌ No
b	If "Yes," explain the arrangement in Part XII	I Check here if the	expla	natio	n has b	een p	rovided in P	art)	XIII			厂
Pa	rt V Endowment Funds. Complete	f the organizatio	n ans	wer								
		(a)Current year	(b))Prior	year	b (c) ™	wo years back	(d)	Three years bad	ck (e	Four ye	ears back
1a	Beginning of year balance							1		_		
b	Contributions							╄		-		
С	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 cur	rent year end balan	ce (lın	e 1g	, columi	n (a)) l	held as					
а	Board designated or quasi-endowment 🕨											
ь	Permanent endowment ►											
C	Temporarily restricted endowment ► The percentages in lines 2a, 2b, and 2c sho	uld equal 100%										
За	Are there endowment funds not in the posses	ssion of the organiz	ation	that	are held	l and a	dministere	d for	the			
	organization by								_		Yes	No
	(i) unrelated organizations			•				•	 	3a(i)		
	(ii) related organizations							•	📴	Ba(ii)		<u> </u>
ь 4	Describe in Part XIII the intended uses of the	•						•		3b		
	t VI Land, Buildings, and Equipme					0						
T G	Description of property	Jill Sec Form 9	<i>7</i> 0, 1 0	(a	Cost or (invest	other	(b)Cost or o basis (othe		(c) Accumula depreciatio		(d) Bo	ok value
	Land						432	,810				432,810
	Land						432 7,364	,810		1,064		432,810 3,423,289
b		 					7,364		3,941	1,064		432,810 3,423,289
b c	Buildings	· · · · · · · · · · · · · · · · · · ·					7,364	,353	3,941 11	1,036		
b c d	Buildings						7,364 11 8,390	,353	3,941 11 6,260	1,036		3,423,289

Part VII Investments—Other Securities. Se	ee Form 990, Part X, line 12.	. age e
(a) Description of security or category	(b)Book value	(c) Method of valuation
(including name of security)		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)	F	
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		
	cription	(b) Book value
Tabal (Calumen (b) mount and Faure 2000 Part V, and (D) line		
Total. (Column (b) must equal Form 990, Part X, col.(B) line		
Part X Other Liabilities. See Form 990, Par	t X, line 25.	
Part X Other Liabilities. See Form 990, Par	t X, line 25.	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability	t X, line 25. (b) Book value	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	.
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes NOTES PAYABLE	t X, line 25. (b) Book value 0	
Part X Other Liabilities. See Form 990, Part 1 (a) Description of liability Federal income taxes	t X, line 25. (b) Book value 0	

Part	Reconciliation of Re	evenue per Audited Financiai	State	men	ts witn	kevenue p	er ke	turn
1	Total revenue, gains, and other	support per audited financial statem	ents .				1	
2	Amounts included on line 1 but	not on Form 990, Part VIII, line 12						
а	Net unrealized gains on investr	ments		2a				
b	Donated services and use of fa	cilities	. [2b			1	
c	Recoveries of prior year grants		. [2c			1	
d	Other (Describe in Part XIII)		[2d			1	
e	Add lines 2a through 2d .						2e	
3	Subtract line ${f 2e}$ from line ${f 1}$.						3	
4	Amounts included on Form 990), Part VIII, line 12, but not on line 1						
а	Investment expenses not inclu	ided on Form 990, Part VIII, line 7b	.	4a				
b	Other (Describe in Part XIII)		. [4b			1	
c	Add lines 4a and 4b						4c	
5	Total revenue Add lines 3 and	4c. (This must equal Form 990, Part	I, line 1	2).			5	
Part	XIII Reconciliation of Ex	penses per Audited Financia	l Stat	emei	nts Wit	h Expenses	per	Return
1	Total expenses and losses per	audited financial statements					1	
2	A mounts included on line 1 but	not on Form 990, Part IX, line 25			_			
а	Donated services and use of fac	cilities		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 ${f 2e}$ from line ${f 1}$.						3	
4	Amounts included on Form 990), Part IX, line 25, but not on line 1:						
а	Investment expenses not inclu	ded 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	d 4c. (This must equal Form 990, Par	t I, lıne	18)			5	
Part	XIII Supplemental Info	ormation						
Part \		criptions required for Part II, lines 3, lines 2d and 4b, and Part XII, lines 2						
	Identifier	Return Reference				Explanat	ıon	
FORM LINE 2	990, SCHEDULE D, PART X,	ASC 740 FOOTNOTE	OF ME	RCY F	IEALTH .	AND AFFILIA	TES DO	CIAL STATEMENTS O NOT INCLUDE A ATION'S LIABILITY

FOR UNCERTAIN TAX PROVISIONS UNDER ASC 740, AS THEY ARE DEEMED IMMATERIAL FOR DISCLOSURE

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

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

Hospitals

Name of the organization Mercy Hospital Berryville

Employer identification number

71-0759299

Pa	rt I Financial Ass	istance an	d Certain	Other Community	Benefits at Cost						
								Yes	No		
	Did the organization have				' If "No," skip to questi	on 6a	1a	Yes			
b	If "Yes," was it a written	policy?					1b	Yes			
2	If the organization had m financial assistance police					oplication of the					
	A pplied uniformly to a Generally tailored to				mly to most hospital fac	cilities					
3	Answer the following bas organization's patients d			nce eligibility criteria th	at applied to the larges	t number of the					
а	Did the organization use If "Yes," indicate which o					providing <i>free</i> care?	3a	Yes			
	▼ 100% Г 150% Г	200% ┌ 0	200% Other%								
b	Did the organization use which of the following was						3b	Yes			
	☐ 200% ☐ 250% ☐	300%	50% 🔽 40	0%		%					
C	If the organization used for criteria for determining e used an asset test or other discounted care	ligibility for fre	ee or discoun	ted care Include in the	description whether the	e organization					
4	Did the organization's fin provide for free or discou				t number of its patients	- '	4	Yes			
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?										
b	If "Yes," did the organiza	tion's financia	al assistance	expenses exceed the b	oudgeted amount? .		5b	Yes			
c	If "Yes" to line 5b, as a r	esult of budge	t considerat	ions, was the organizati	on unable to provide fre	e or discounted					
	care to a patient who was	_					5c		Νo		
	Did the organization prep						6a	Yes			
b	If "Yes," did the organiza			·			6b		Νo		
	Complete the following ta worksheets with the Sch		worksheets p	provided in the Schedule	e H instructions Do not	submit these					
7	Financial Assistance	and Certain	Other Com	munity Benefits at Co	ost						
	ancial Assistance and Means-Tested overnment Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community ben expense		f) Perce otal exp			
a	Financial Assistance at cost	(optional)						<u> </u>			
b	(from Worksheet 1) Medicaid (from Worksheet 3, column a)			726,983 2,599,660	3,081,490	726,' -481,'		4 4	60 %		
С	column a) Costs of other means-tested government programs (from Worksheet 3, column b)			2,333,000	3,001,430	401,					
d	Total Financial Assistance and Means-Tested Government Programs			3,326,643	3,081,490	245,	153	1 5	00 %		
e	Other Benefits Community health			2,221,232	-,,						
	improvement services and community benefit operations (from Worksheet 4)			39,876		39,	376	0_2	40 %		
f	Health professions education (from Worksheet 5)			32,946		32,	946	0 2	00 %		
g b	Subsidized health services (from Worksheet 6) Research (from Worksheet 7)			6,324		6,:	324	0 0	40 %		
h I	Cash and in-kind contributions for community benefit (from Worksheet 8)			62,899		62,	399	0 3	90 %		
J	Total. Other Benefits			142,045		142,	045		70 %		
k	Total. Add lines 7d and 7j .			3,468,688	3,081,490	387,	198	2 3	80 %		

Рa	rt II Community Building activities during the of the communities in	tax year, an									
		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense		rect off revenue		(e) Net communit building expense		(f) Pero total ex	
1	Physical improvements and housing										
2	Economic development										
3	Community support			3,96	3			3,	,963	0	020 %
4	Environmental improvements										
5	Leadership development and training										
6	for community members Coalition building			11,15				11	,158		070 %
7	Community health improvement			11,15				11,	,130	0	070 %
8	Workform development										
9	Workforce development Other			65 60					651		0 9
0	Total			16,37				16	,372	0	090 %
Par	t IIII Bad Debt, Medicar	e, & Collec	tion Practic	<u> </u>	- 1			10,	, 3 / L		030 /
ect	ion A. Bad Debt Expense									Yes	No
1	Did the organization report bac Statement No 15?	d debt expense		with Heathcare Fir	ancıal M	anage	ment A	ssociation	1	Yes	
2	Enter the amount of the organi	zatıon's bad d	ebt expense E								
	methodology used by the orga					2		2,206,987			
3	Enter the estimated amount of patients eligible under the organization	_		•							
	the methodology used by the										
	any, for including this portion of	of bad debt as	community ber	nefit		3					
4	Provide in Part VI the text of to or the page number on which to		-				rıbes b	ad debt expense			
ect	ion B. Medicare										
5	Enter total revenue received fr					5		6,565,650			
6	Enter Medicare allowable cost		= :			6		6,533,946			
7 8	Subtract line 6 from line 5 Th Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	to which any sosting method	shortfall reporte ology or source	ed in line 7 should b							
	Cost accounting system	₽ c∘	st to charge ra	tio $ar{\Gamma}$	Other						
ect	ion C. Collection Practices										
9a	Did the organization have a wr	itten debt coll	ection policy di	uring the tax year?					9a	Yes	
b	If "Yes," did the organization's contain provisions on the colleassistance? Describe in Part V	ection practice VI	s to be followed	d for patients who a	e known	to qua	alıfy for	financial	9b	Yes	
Pai	rt IV Management Comp	anies and J	loint Ventur	es (owned 10% or more by	officers, dire	ectors, tr	ustees, ke	ey employees, and physici	ans—se	ee instruct	ions)
	(a) Name of entity	(E	 Description of pi activity of entite 		(c) Organı profit % o ownersh	r stock	,	d) Officers, directors, trustees, or key employees' profit % r stock ownership %	pro	e) Physic ofit % or ownershi	stock
L											
2											
3									\top		
4									+		
5									+		
5									<u> </u>		
7									+		
3									+		
									+		
10							-		+		
11									+		
12							+		+		
									+		

Part V	Facility Information										
Section	A. Hospital Facilities	Licensed	Gener	Children's	Teaching	Critical	Resea	ER-24 houre	ER-other		
smalles How ma organiza 1	arder of size from largest to t—see instructions) in hospital facilities did the ation operate during the tax year?	sed hospital	General medical & surgical	en's hospital	ing hospital	access hospital	Research facility	hours	her	O ther (Describe)	Facility reporting group
1	Mercy Hospital Berryville 214 Carter Street Berryville, AR 72616	Х	Х			Х		Х			

Schedule H (Form 990) 2012

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

	Mercy Hospital Be	erryville		

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

	Mercy Hospital Berryville
Name of hospital facility or facility reporting group	

			Yes	No
Con	nmunity Health Needs Assessment (Lines 1 through 8c are optional for tax years begining 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)			
а	A definition of the community served by the hospital facility			
b	Demographics of the community			
С	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			
е	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			
	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		Vas	
,	persons the hospital facility consulted	3	Yes	
•	facilities in Part VI	4		Νo
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)			
а	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			
а	to date) 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			
е	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			
	Prioritization of services that the hospital facility will undertake to meet health needs in its community			
	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 $501(r)(3)^2$	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? \$			_
	Calcadula U /E			

P	art V Facility Information (continued)			
Fir	ancial 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%			
11	If "No," explain in Part VI the criteria the hospital facility used		\ ,	
	Used FPG to determine eligibility for providing <i>discounted</i> care?	11	Yes	
	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)			
а	▼ Income level			
b	Asset level			
c	Medical indigency			
d	Insurance status			
е	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)			
а	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			
е	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)			
	ling and Collections		1	
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			
	Reporting to credit agency			
b	Lawsuits			
C	Liens on residences			
d	Body attachments			
е	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			
а	Reporting to credit agency			
b	<u>-</u>			
C	Liens on residences			
d	Body attachments			
_	C Other similar actions (describe in Part VI)	ı	I .	i

chedule H	(Form 990)	2012

Page

4	racinty information (continued)			
18	Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)			
а	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	financial assistance policy			
е	O ther (describe in Part VI)			
Po	licy 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			
а	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)			
Cha	arges 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			
а	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		Νo
	If "Yes," explain in Part VI			

ichedule H (Form 990) 2	0	12	2
-------------------------	---	----	---

Ρ	а	a	e

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	How many non-hospital health care facilities did the organization operate during the tax year? 1				
Name and a	address	Type of Facility (describe)			
1 MERCY 735 HI	THERAPY SERVICES BERRYVILLE GHWAY 62 WEST VILLE,AR 72616	OUT PATIENT REHAB			
2					
3					
4					
5					
6					
7					
8					
9					
10					

Schedule H (Form 990) 2012

Schedule H (Form 990) 2012

Page

Part VI Supplemental Information

 $\label{lem:complete} \textbf{Complete this part to provide the following information}$

organization's financial assistance policy

- Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part III, 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
 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

 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

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

Identifier	, 5c, 6ı, 7, 10, 11, 12h, 14g, 16e, ReturnReference	Explanation
	OMMUNITY 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, COLUMN (A
		ARE \$22,134,248 INCLUDED IN THIS AMOUNT WAS BAD DEBT EXPENSE (CHARGES) OF \$5,831,324 EXPENSES FOR THE PURPOSE OF CALCULATING LINE 7, COLUMN (F) ARE
		\$16,302,924 FORM 990, SCHEDULE H, PART II EXPLANATION Describe how community building activities promote the health of the communities we serve COMMUNITY BUILDING ACTIVITIES WORK TOWARD IMPROVING THE
		HEALTH, WELLNESS, AND SAFETY OF THE COMMUNITY COMMUNITY BUILDING AND COALITION BUILDING ACTIVITIES PROMOTE THE HEALTH OF THE COMMUNITIES THEY SERVE THROUGH THEIR
		PARTICIPATION IN COMMUNITY-BASED EVENTS, MEETINGS AND BY SERVING ON COMMUNITY BOARDS COMMUNITY BUILDING ACTIVITIES WORK TOWARD
		IMPROVING THE HEALTH, WELLNESS, AND SAFETY OF THE COMMUNITY MERCY BERRYVILLE PARTICIPATED IN COALITION BUILDING AND HEALTH PROMOTION WITH PUBLIC AND DIOCESAN SCHOOLS THROUGH THE
		DISCUSSION AND DEVELOPMENT OF THE HEALTHTEACHER HEALTH AND WELLNESS INITIATIVE HEALTHTEACHER PROVIDES TOOLS AND RESOURCES FO
		TEACHERS, STUDENTS K THRU 12, AND FAMILIES BY INTEGRATING HEALTH INTO THE CLASSROOMS HEALTH AND WELLNESS EDUCATION, ESPECIALLY FOR CHILDREN IS ESSENTIAL IN DISEASE PREVENTION AND IN
		PROMOTING THE HEALTH OF EVERY COMMUNITY THIS PROGRAM IS OFFERED AT NO CHARGE TO EACH SCHOOL IN THE COMMUNITY MERCY BERRYVILLE'S COMMUNITY INVOLVEMENT INCLUDES WORKING WITH THE SCHOOLS.
		BUSINESSES, EMERGENCY SERVICES, AND COMMUNITY NONPROFIT ORGANIZATIONS TO EDUCATE AND IMPROVINE HEALTH OF THE COMMUNITY MERCY BERRYVILLE
		ASSISTS THE FREE CLINIC IN THE COMMUNITY AND PROVIDES SUPPORT TO THE SCHOOL FOOD AND SUPPLY PROGRAMS IN PARTNERSHIP WITH OTHER COMMUNITY GROUPS AND IS THE ONLY HOSPITAL IN THIS RURAL
		ARKANSAS COMMUNITY WORKFORCE DEVELOPMENT IS ENHANCED BY BEING A CLINICAL EDUCATION SITE FOR NURSING, PHLEBOTOMY, RADIOLOGY TECHNICIAN,
		PARAMEDIC, AND LAB STUDENTS FORM 990, SCHEDULE PART III, LINE 2 TO DETERMINE THE AMOUNT OF BAD DEBT EXPENSE, AT COST, BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENT ACCOUNTS WAS MULTIPLIES
		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 T CHARGE RATIOS WERE UTILIZED FORM 990, SCHEDULE FORT III, LINE 3 THE FILING ORGANIZATION DETERMINE 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 "FOR 990, SCHEDULE H, PART III, LINE 8 IT IS THE POSITION
		OF MERCY HOSPITAL BERRYVILLE 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 99 SCHEDULE H, PART III, LINE 9B MERCY HOSPITAL BERRYVILLE'S ("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 COMMUNIT ASSISTANCE POLICY AFTER HAVING BEEN TURNED OVE 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 PLACEMEN' 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 T
		COOPERATE IN VALIDATING ELIGIBILITY FOR FINANCIA ASSISTANCE THESE APPROPRIATE MEANS MAY INCLUD LEGAL ACTION CONSISTENT WITH MERCY MISSION AND
		VALUES ADDITIONALLY THEY MAY INCLUDE LIENS UPOUREAL PROPERTY AND REASONABLE WAGE GARNISHMENT 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 NEED ASSESSMENT PLEASE REFER TO THE ORGANIZATION'S COMMUNITY HEALTH NEEDS ASSESSMENT WHICH CAN B
		FOUND AT WWW MERCY NET/COMMUNITY-BENEFITS FOR 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 CAR DISCOUNTS FOR EXAMPLE, INDIVIDUALS WITH INCOME 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 ASSET
		(WHICH EVER IS GREATER), ADJUSTED TO CONSIDER AVAILABILITY OF OTHER ASSETS THAT COULD BE USED TOWARD MAKING PAYMENTS SCHEDULE H, PART VI, LINI
		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 PRINTE
		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 ASSISTANC FOR

efile GRAPHIC print - DO NOT PROCESS | As Filed Data -

Schedule I

(Form 990)

DLN: 93493134071624

OMB No 1545-0047

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

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. Open to Public Department of the Treasury Attach to Form 990 Inspection Internal Revenue Service Name of the organization Employer identification number Mercy Hospital Berryville 71-0759299 Part I General Information on Grants and Assistance Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and √ Yes Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed. (f) Method of (a) Name and address of **(b)** EIN (d) A mount of cash (g) Description of (h) Purpose of grant (c) IRC Code (e) A mount of nonvaluation non-cash assistance or assistance organization section grant cash or government if applicable assistance (book, FMV, appraisal, other) Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

1111	Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, P	art IV, line 22.
	Part III can be duplicated if additional space is needed.	·

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

Part IV Supple	nental Information.
----------------	---------------------

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

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE I, PART I, LINE 2		DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS THE ASSISTANCE PROVIDED IS INTENDED TO BE USED FOR THE GENERAL OPERATING PURPOSES OF THE DONEE THE USE OF GRANT FUNDS IS NOT MONITORED AFTER GRANTS ARE GIVEN

Schedule I (Form 990) 2012

DLN: 93493134071624

OMB No 1545-0047

Open to Public

Inspection

Schedule J (Form 990)

Department of the Treasury Internal Revenue Service

For certain Officers, Directors, Trustees, Key Employees, and Highest **Compensated Employees** ► Complete if the organization answered "Yes" to Form 990,

Compensation Information

Part IV, question 23.

► Attach to Form 990. ► See separate instructions.

Name of the organization Mercy Hospital Berryville

Employer identification number

71-0759299

Pa	rt I Questions Regarding Compensatio	n			
				Yes	No
1a		ovided any of the following to or for a person listed in Form I 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		rganızatıon follow a wrıtten policy regardıng payment or escribed above? If "No," complete Part III to explain	1b	Yes	
2	Did the organization require substantiation prior to directors, trustees, and the CEO/Executive Directo	reimbursing or allowing expenses incurred by all officers,		,	
	directors, trustees, and the CLO/Executive Director	n, regarding the items checked in line 1a.	2	Yes	
3	Indicate which, if any, of the following the filing orga organization's CEO/Executive Director Check all t used by a related organization to establish compens				
	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, or a related organization	Part VII, Section A, line 1a with respect to the filing organization			
а	Receive a severance payment or change-of-control	payment?	4a		No
b	Participate in, or receive payment from, a suppleme	ental nonqualified retirement plan?	4b	Yes	
C	Participate in, or receive payment from, an equity-b	pased compensation arrangement?	4 c		Νo
	If "Yes" to any of lines 4a-c, list the persons and pi	rovide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only me	ust complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A compensation contingent on the revenues of	, line 1a, did the organization pay or accrue any			
а	The organization?		5a		No
b	Any related organization?		5b		Νo
	If "Yes," to line 5a or 5b, describe in Part III				
6	For persons listed in Form 990, Part VII, Section A compensation contingent on the net earnings of	, line 1a, did the organization pay or accrue any			
а	The organization?		6a		No
b	Any related organization?		6b		Νo
	If "Yes," to line 6a or 6b, describe in Part III				
7	For persons listed in Form 990, Part VII, Section A payments not described in lines 5 and 6? If "Yes,"		7	Yes	
8	Were any amounts reported in Form 990, Part VII,				
		n Regulations section 53 4958-4(a)(3)? If "Yes," describe			
	ın Part III		8		Νo
9	If "Yes" to line 8, did the organization also follow th section $53\ 4958-6(c)$?	e rebuttable presumption procedure described in Regulations	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)(1)-(111) 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	f W-2 and/or 1099-MI:	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of	(F) Compensation
	(i) Base compensation	(ii) Bonus & ıncentıve compensatıon	(iii) Other other defe reportable compensation		benefits	columns (B)(ı)-(D)	reported as deferred in prior Form 990
See Additional Data Table							

Schedule J (Form 990) 2012

Part III Supplemental Information

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

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 FORM 990, SCHEDULE J, PART I, QUESTION 3 FOR THOSE CLASSIFIED AS OFFICERS (AND THUS DISQUALIFIED PERSONS), THE ORGANIZATION RELIES UPON MERCY HEALTH, WHICH USES THE FOLLOWING TO ESTABLISH THE COMPENSATION EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, ENGAGEMENT OF AN INDEPENDEDRY COMPENSATION CONSULTANT, AND REVIEW/APPROVAL OF COMPENSATION BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF MERCY HEALTH FOR THOSE CLASSIFIED AS KEY EMPLOYEES, MERCY HEALTH USES THE FOLLOWING TO ESTABLISH THE COMPENSATION BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF MERCY HEALTH FOR THOSE CLASSIFIED AS KEY EMPLOYEES, MERCY HEALTH USES THE FOLLOWING TO ESTABLISH THE COMPENSATION BY THE EXECUTIVE MANAGEMENT COMPENSATION REVIEWS ARE COMPLETED ON AN ANNUAL BASIS, AND A REVIEW WAS COMPLETED DURING THE REPORTING YEAR 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 INCLUDED DAVID BARBE, MICHELE SCHAEFER, ROBERT STEELE, JON SWOPE, CHRISTOPHER KNACKSTEDT, BRADLEY DAY, TANYA MARION, AND MICHAEL MERRIGAN THE AMOUNT OF ALL ACCRUED BENEFITS IS INCLUDED IN COMPENSATION AMOUNTS PROVIDED IN SCHEDULE J, PART II, COLUMN (

Software ID: Software Version:

EIN: 71-0759299

Name: Mercy Hospital Berryville

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

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees								
(A) Name		(B) Breakdown o	of W-2 and/or 1099-MIS	SC compensation	(C) Deferred	(D) Nontaxable	(E) Total of columns	(F) Compensation reported in prior Form
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation	compensation	benefits	(B)(ı)-(D)	990 or Form 990-EZ
Barbe MD David O	(I) (II)		0 7 53,050	0 19,680	0 42,044	0 10,387	0 7 352,348	0
Estrem Kristy K	(I) (II)		0 3 28,230	0 18,334	0 12,382	0 14,074	0 210,113	0
Milam MD Craig	(I) (II)		0 2 8,625	0 4,903	0 4,621	0 7,393	0 171,744	0
Schaefer Michele M	(I) (II)		0 7 98,797	0 43,849	0 53,074	0 7,855	0 5 525,832	0
Steele MD Robert	(I) (II)		0 125,072	0 41,134	0 26,492	0 16,232	0 2 566,202	0
Swope Jon	(I) (II)		0 249,457	0 27,670	0 212,960	0 17,729	0 989,401	0
Knackstedt Chris	(I) (II)		0 5 574,168	0 111,265	0 71,102	0 12,004	0 1,170,144	0
Reynolds Scott R	(I) (II)		0 43,193	0 60,482	0 25,835	0 12,268	0 3 345,123	0
Clouse Day Sherry	(I) (II)	133,080	0 15,339	0 35,469	0 5,177	0 11,559	0 200,624	0
Day Bradley Kım	(I) (II)		0 322,225	0 35,023	0 334,446	0 14,234	0 1,336,294	0
Marion Tanya	(I) (II)		0 3 70,088	0 25,359	0 28,325	0 14,983	0 275,943	0
Merrigan Michael	(I) (II)		0 96,337	0 54,154	0 49,389	0 7,420	0 435,259	0
David MD Andrew	(I) (II)		8,548	21,475	5,661 0	14,025	267,281	0
Phillippe Robert	(I) (II)		0	7,499	2,702	404	168,269	0 0
Shapter MD Janet	(I) (II)		8,521	25,439	6,117 0	5,492 0	2 258,636	0
Warner DO Milo	(I)) 226,936) 0	6,289	3,105		5,520 0	254,439	0

efile GRAPHIC print - DO NOT PROCESS

SCHEDULE O

As Filed Data -

DLN: 93493134071624

Supplemental Information to Form 990 or 990-EZ

2012

OMB No 1545-0047

Open to Public Inspection

Department of the Treasury Internal Revenue Service

(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.

Name of the organization
Mercy Hospital Berryville

T1-0759299

ldentifier	Return Reference	Explanation
FORM 990, PART V, QUESTION 1A	FORM 1099/1096 FILING	

SCHEDULE R Related Ord

(Form 990)

Department of the Treasury

Internal Revenue Service

Related Organizations and Unrelated Partnerships

► Attach to Form 990. ► See separate instructions.

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

2012

DLN: 93493134071624

Open to Public Inspection

Name of the organization Mercy Hospital Berryville				71-07592	dentification number		
Part I Identification of Disregarded Entities (Complete	e if the organization	n answered "Yes" to	o Form 990, Part	•	99		
(a) Name, address, and EIN (If applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income En	(e) d-of-year assets	(f) Direct controlling entity		
Part II Identification of Related Tax-Exempt Organiza or more related tax-exempt organizations during the	tions (Complete if tax year.)	the organization a	nswered "Yes" to	Form 990, Pa	art IV, line 34 because	ıt had o	ne
(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 s (if section 501(d		Section (13) co	g) n 512(b) ontrolled tity?
See Additional Data Table						Yes	No
See Auditorial Bata Pape							

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.)	

			<u> </u>								
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)		(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(h Disprop allocat	rtionate	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j Gene mana parti	ral or iging	(k) Percentage ownership
				'		Yes	No		Yes	No	
(1) Merc Ambu Surg CTR 7301 Rogers Av Fort Smith, AR 72903	AMBUL SURG CTR	AR	NA								
71-0827721											
(2) RES OPT & INNOV 645 Maryville Centre Dr 200 St Louis, MO 63141 46-0468368	CENTRAL DIST	МО	NA								
	MRI Services	ОК	NA							-	
1011 14TH Ave NW Ardmore, OK 73401 43-1971232											
(4) Fort Smith EMS	Emergency Med	AR	NA								
1701 S Greenwood Fort Smith, AR 72901 71-0416615											
(5) St Ed Mer Med MOB	Office Building	AR	NA								
7301 Rogers Ave Fort Smith, AR 72903 71-0554050											

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total Income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?		
								Yes	No	
See Additional Data Table										

	Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule					Yes	No
1 D	uring the tax year, did the orgranization engage in any of the following transactions with one or more rel	ated organizations li	sted in Parts II-IV?				
а	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)				1 c		No
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
1	Performance of services or membership or fundraising solicitations for related organization(s)				11		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
0	Sharing of paid employees with related organization(s)				10		No
р	Reimbursement paid to related organization(s) for expenses				1p	Yes	
q	Reimbursement paid by related organization(s) for expenses				1q	Yes	
r	O ther 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		· · · · · · · · · · · · · · · · · · ·				
	(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amo	unt II	nvolved	
ee A	dditional Data Table						

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

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 re	garding exclu	sion for ce		nent	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)	org	(e) all partners section 501(c)(3) anizations?	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtiona allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
			514)	Yes	No			Yes	No		Yes	No	
												1	

63019 43-1627267

PO Box 350 Crystal City, MO

Software ID: Software Version:

EIN: 71-0759299

Name: Mercy Hospital Berryville

Schedule R (Fo	orm 990) 2012									Da	age 5
		ntal Information								Г	ge 5
			nal information for response:	s to questions on Sc	hedule R (see ins	structions)					
Identifier	Return Reference		Explanation								
FORM 990, SCHEDULE R, PART V		INTERCOMPANY/REL THE CURRENT DESIG EXTRACTED FROM LA BEEN CLASSIFIED ON	ARE IS THE PRIMARY AC LATED ORGANIZATION T GN OF THE ERP SYSTEM, T AWSON DUE TO THESE L N SCHEDULE R, PART V, I	RANSACTIONS AR THERE ARE VARIOU LIMITATIONS, MOS IN LINES P AND Q	E PROCESSED T US LIMITATIONS ST OF THE RELAT	THROUGH LAV IS ON THE RE TED ORGANIZ	WSON VIA INT ELATED ORGAN ZATION ACTI	TERCOMPANY NIZATION INF	Y JOURNAL ENTE IFORMATION TH	RIES WIT	BE
Form 990, S	Schedule R, I (a)	Part IV - Identifica	ation of Related Organ	1	ole as a Corpo (d)	oration or T (e)	Trust (f)	(g)	(h)	(i)	
	(a) ne, address, and related organizat		(b) Primary activity	(c) Legal domicile (state or foreign country)	Direct controlling entity	Type of entity (C corp, S corp, or trust)	Share of total income	(g) I Share of end- of-year assets		Section 512(b)(control entity	ion)(13) olled
Frontenac Prop	perties		HOLDING COMP		NA	C-Corp			1	Yes	
Inc 14528 S O ute Suite 100 Chesterfield, M 63017 52-1914421	мо			DE							
Inveno Health	Inc		RESEARCH		NA	C-Corp				Yes	
1235 E Cherol Street Springfield, MC 26-4509571	O 65804			МО							
Mercy Commu Services Inc			RETAIL PHARMACY		NA	C-Corp				Yes	
401 Woodland Blvd Fort Scott, KS 48-1078101	66701			KS							
Mercy Health (Center		REALESTATE		NA	C-Corp				Yes	
4300 W Memo O klahoma City 73120 68-0640970	:у, ОК			ок							
Mercy Health I	Network		HEALTH CARE		NA	C-Corp				Yes	
of the Southerr 1011 14th Av Ardmore, OK 7 73-1580607	venue NW 73401			ок							
Mercy Health I			HEALTH CARE		NA	C-Corp				Yes	
4300 W Memo O klahoma City 73120 73-1381689	:у, ОК			ок							
Mercy Manage Corporation	ed Care		HOLDING COMP		NA	C-Corp				Yes	
4300 W Memo O klahoma City 73120 73-1441665	:у, ОК			ок							
UH L Corp Inc			HOLDING COMP		NA	C-Corp				Yes	
645 Maryville Drive Suite 1 St Louis, MO 6 74-2499535	63141			МО							
Unity Support Inc	Services		PRACTICE MGT		NA	C-Corp				Yes	
645 Maryville Drive Suite 1 St Louis, MO 6 43-1797042	63141			МО							
Jefferson Land Company Inc			HOLDING COMP		NA	C-Corp				Yes	
14528 South (Forty Suite 10 Chesterfield, N 63017 43-1330360	00 MO			МО							
The Apothecar Services Inc	ry		RETAIL PHARMACY		NA	C-Corp				Yes	

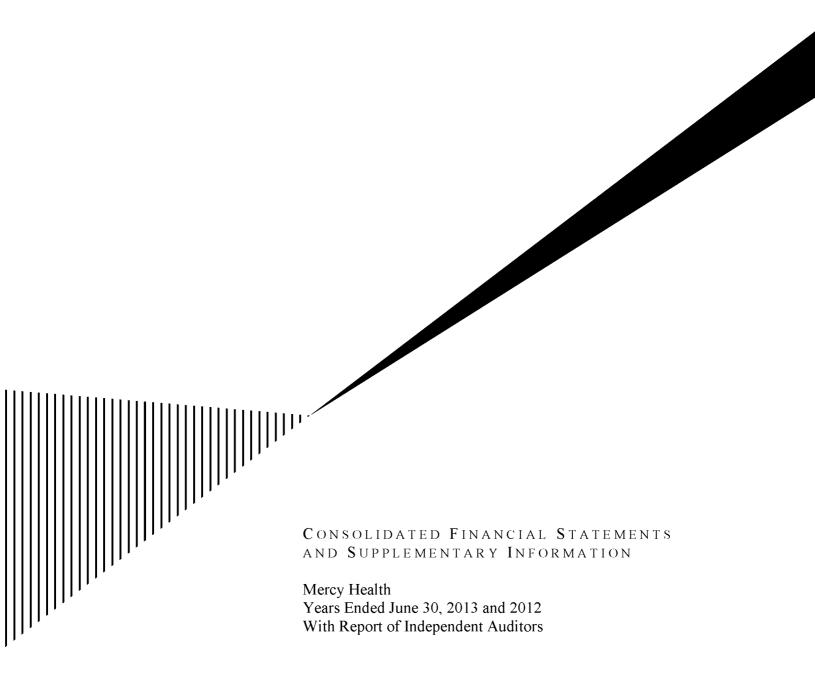
МΟ

--> Form 990, Schedule R, Part V - Transactions With Related Organizations (b) (c) (d) Method of determining A mount Involved Name of other organization Transaction type(a-s) amount involved 188,527 FMV Mercy Clinic Springfield Communities р 264,638 FMV Mercy Hospital Aurora q 181,416 FMV Mercy Hospital Cassville q 1,043,241 FMV Mercy Hospital Lebanon q 2,900,640 FMV Mercy Hospital Springfield р 1,744,828 FMV MHM Support Services р

Resource Optimization & Innovation LLC

437,463 FMV

р



Ernst & Young LLP



Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Supplementary Information	
Consolidating Balance Sheet	47
Consolidating Statement of Operations	49
Consolidating Statement of Changes in Net Assets	51



Ernst & Young LLP

The Plaza in Clayton Suite 1300 190 Carondelet Plaza St Louis, Missouri 63105-3434

Tel +1 314 290 1000 Fax +1 314 290 1882 www.ey.com

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 US 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

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 Restricted		3,196,931 77,881		2,724,806 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.

Consolidated Statements of Operations (In Thousands)

	Year Ended 2013	l June 30 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

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.

Consolidated Statements of Cash Flows (In Thousands)

	Year Endo 2013	ed June 30 2012
Operating activities	2010	2012
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)

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

	Year Ended Jun 2013 2			ne 30 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

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

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

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

Notes to Consolidated Financial Statements (continued) (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

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

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

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

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.

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

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.

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

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.

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

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

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements (continued) (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 Insurance proceeds – business interruption	\$	23,259 272,000	\$	263,100 125,000
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

Notes to Consolidated Financial Statements (continued) (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	

Notes to Consolidated Financial Statements (continued) (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 Medicaid Managed care/other Self-pay	\$ 1,561,984 490,201 1,897,725 258,024	\$ 1,356,873 424,509 1,849,947 248,079		
. ,	\$ 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.

Notes to Consolidated Financial Statements (continued) (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

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

5. Investments

The following is a summary of investments

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

The following is a summary of investments by classification

	June 30			
	2013			2012
Cash and cash equivalents Fixed income	\$	151,762	\$	93,477
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		33,45 7		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

1305-1080738 24

Notes to Consolidated Financial Statements (continued) (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

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

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

Notes to Consolidated Financial Statements (continued) (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						
(US 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
T 5.1.904						
Liabilities	ď		ď	52 015	\$ ø	52 0.15
Interest rate swap agreements	\$	_	\$	53.845	 <u> </u>	53,845
Total liabilities	\$		\$	53,845	\$ - \$	53,845

Notes to Consolidated Financial Statements (continued) (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				
(US and foreign)	_	93,678	_	93,678
Other debt securities	703	35,733	_	36,436
Commungled 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

Notes to Consolidated Financial Statements (continued) (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

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

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

Notes to Consolidated Financial Statements (continued) (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	

Notes to Consolidated Financial Statements (continued) (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

Notes to Consolidated Financial Statements (continued) (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)

Notes to Consolidated Financial Statements (continued) (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 Pension liabilities	\$ 3,512 313,121	\$	3,334 362,324	
	\$ 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 End	Year Ended June 30				
	2013	2012				
Unrecognized actuarial loss Unrecognized prior service cost	\$ (377,090) (3,017)	\$ (421,973) (3,561)				
	\$ (380,107)	\$ (425,534)				

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

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

Notes to Consolidated Financial Statements (continued) (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 Interest cost on projected benefit obligation	\$	1,767 41,991	\$	1,413 47,392	
Expected return on plan assets Amortization of unrecognized		(52,885)		(52,984)	
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 Obliga		Net Per Benefit	
	2013	2012	2013	2012
Discount rates Rates of salary increase Expected long-term return	4.35–4.60% 5.00	4 05–4 20% 5 00	4.05–4.20% 5.00	5 00–5 15% 6 00
on plan assets	8.00	8 15	8.15	8 15

Notes to Consolidated Financial Statements (continued) (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

	2013 Target Asset	Plan Assets	s at June 30
Asset Category	Allocation	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

Notes to Consolidated Financial Statements (continued) (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	eal Assets – Limited ertnerships	Other
Fair value at July 1, 2012 Purchases, issuances, and	\$ 120,346	\$ 48,751	\$ 12,163 \$	2,846
settlements	11,111	(8,073)	(3,402)	_
Actual return on plan assets Transfers in and/or out of Level 3	14,561 -	812	(533)	(34)
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 (US 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

Notes to Consolidated Financial Statements (continued) (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	al Assets – Limited rtnerships	Other
Fair value at July 1, 2011 Purchases, issuances, and	\$ 130,032	\$ 43,024	\$ 14,165 \$	2,882
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.

Notes to Consolidated Financial Statements (continued) (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

Notes to Consolidated Financial Statements (continued) (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	

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

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

Notes to Consolidated Financial Statements (continued) (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 \$219 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

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

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

Notes to Consolidated Financial Statements (continued) (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	Balance Sheet	June 30							
Hedging Instruments	Location	2013			2012				
Interest rate swap agreements Interest rate swap agreements	Other assets Other liabilities	\$	- 53,845	\$	9,441 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

Notes to Consolidated Financial Statements (continued) (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.

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

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

Consolidating Balance Sheet (In Thousands)

June 30, 2013

	Fort Smith	,	Hot Springs	Rogers	Joplin	I.	Xansas	C	ırthage
Assets	· ·		эргшдэ	Rogers	оорші		Kunsus		irtilage
Current assets									
Cash and eash 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
dD.	2.201	4D	207	40		dD.		d.	14.627		d).	20.266
\$	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

Consolidating Statement of Operations (In Thousands)

Year Ended June 30, 2013

		Fort Smith	,	Hot Springs	Rogers	J	oplin	Ka	nsas	C	nrthage
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 \$			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	-	- 2.522	-	(57(53()	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

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	

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality We make a difference by helping our people, our clients and our wider communities achieve their potential

For more information, please visit www ey com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

