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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning JUL 1, 2012 and ending JUN 30, 2013

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

C Name of organization
MERCY HOSPITAL ARDMORE

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
1011 14TH AVENUE N.W.

City, town, or post office, state, and ZIP code
ARDMORE, OK 73401

F Name and address of principal officer: DARYLE VOSS
SAME AS C ABOVE

D Employer identification number
73-1500629

E Telephone number
(580)220-6620

G Gross receipts $ 145,521,448.

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW.MERCY.NET/ARDMOREOK

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1996 M State of legal domicile: OK

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: TO CARRY OUT THE HEALING MINISTRY OF JESUS BY PROMOTING HEALTH AND WELLNESS THROUGH OUR		
	2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	13
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1311
	6 Total number of volunteers (estimate if necessary)	6	56
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	47,369.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	9,210.

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)	2,485,825.	5,039,122.
	9 Program service revenue (Part VIII, line 2g)	143,151,625.	142,724,068.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-5,861.	795.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-1,299,658.	-2,977,669.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	144,331,931.	144,786,316.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	458,438.	424,772.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	48,784,005.	47,841,159.
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	82,478,535.	86,443,054.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	131,720,978.	134,708,985.
	19 Revenue less expenses. Subtract line 18 from line 12	12,610,953.	10,077,331.

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	119,933,470.	130,661,307.
	21 Total liabilities (Part X, line 26)	6,966,606.	7,790,003.
	22 Net assets or fund balances. Subtract line 21 from line 20	112,966,864.	122,871,304.

Part II Signature Block

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

Sign Here
▶ Signature of officer — Date 05/14/14
▶ JON VITIELLO, CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
DOUGLAS G. PLEUS	Douglas Pleus	5/15/14	☐	P00013488

Firm's name ▶ PLEUS AND COMPANY, LLC — Firm's EIN ▶ 56-2632458

Firm's address ▶ 14323 S. OUTER FORTY, STE 310N
CHESTERFIELD, MO 63017 — Phone no. 314-317-9916

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

232001 12-10-12 LHA **For Paperwork Reduction Act Notice, see the separate instructions.** Form **990** (2012)

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

ELECTRONIC FILING REJECTED

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SCANNED JUN 17 2014

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission:
MERCY HOSPITAL ARDMORE IS ROOTED IN THE MISSION OF JESUS AND THE HEALING MINISTRY OF THE CHURCH. THIS TRADITION IS MARKED BY VALUES OF JUSTICE, EXCELLENCE, STEWARDSHIP AND RESPECT FOR THE DIGNITY OF EACH PERSON.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes [X] No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes [X] No
If "Yes," describe these changes on Schedule O.

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

4a (Code _____) (Expenses $ 93,431,306. including grants of $ 424,772.) (Revenue $ 139,164,459.)
MERCY HOSPITAL ARDMORE ("MERCY") PROVIDES QUALITY MEDICAL HEALTH CARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE, OR ABILITY TO PAY. DURING FY2013, MERCY PROVIDED SERVICES TO 9,566 INPATIENTS, 33,689 EMERGENCY DEPARTMENT PATIENTS, AND 107,394 OTHER OUTPATIENTS. SERVICES ARE PROVIDED THROUGH A COMMUNITY-BASED, ACUTE CARE HOSPITAL, AND A REHABILITATION CENTER. OUR OUTPATIENT SERVICES INCLUDE A HOME HEALTH AGENCY, OUTPATIENT SURGERY AND DIAGNOSTICS AND VARIOUS PRIMARY PHYSICIAN CLINICS/SERVICES. THE INSTITUTION CONTINUES TO FOCUS ON THE PROVISION OF PRIMARY HEALTH SERVICES THROUGH THE ENHANCEMENT OF PRIMARY CLINICS AND EDUCATION TO THE COMMUNITY, REGARDLESS OF THEIR MEANS TO PAY FOR THESE SERVICES.

4b (Code _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4c (Code _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

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

4e Total program service expenses ▶ 93,431,306.

232002
12-10-12

SEE SCHEDULE O FOR CONTINUATION(S)

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	0		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1311		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-*file* (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	*Did the organization make any taxable distributions under section 4966?*		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter.				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O.				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . .	1a 13		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.			
b	Enter the number of voting members included in line 1a, above, who are independent . .	1b 8		
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		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? . . .	3		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . .	4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . .	5		X
6	Did the organization have members or stockholders?	6	X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	X	
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	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		X

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☒ Upon request ☐ Other *(explain in Schedule O)*

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

KAREN HENDREN - 580-220-6620

4300 WEST MEMORIAL ROAD, OKLAHOMA CITY, OK 73120

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

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

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

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) BUCKNER, WILLIAM	1.00									
BOARD MEMBER	0.00	X						0.	0.	0.
(2) BURNS, GLEN C	1.00									
BOARD MEMBER	0.00	X						0.	0.	0.
(3) HENDRICKS RSM, SR. REBECCA	1.00									
BOARD MEMBER	12.00	X						0.	0.	0.
(4) HISEY, BARBARA	1.00									
BOARD MEMBER	0.00	X						0.	0.	0.
(5) LODES, CLAYTON R	1.00									
BOARD MEMBER	1.00	X						0.	0.	0.
(6) MOORE, JOHN L	1.00									
BOARD MEMBER	0.00	X						0.	0.	0.
(7) ROTHER MD, JEFFREY	5.00									
BOARD MEMBER	55.00	X						0.	398,506.	16,882.
(8) WELSH RSM, SR. ROSEMARY	1.00									
BOARD MEMBER	59.00	X						0.	0.	0.
(9) WILSON DVM, CADE	1.00									
BOARD MEMBER	0.00	X						0.	0.	0.
(10) BURDICK, MALINDA	50.00									
PRESIDENT, MERCY HOSPITAL ARDMORE-TH	10.00	X		X				0.	481,366.	54,260.
(11) JOBE, RANDY	40.00									
B MEMBER & OFFICER (PRES, MHOSP-THRU	20.00	X		X				0.	180,775.	14,446.
(12) SMALLEY, DIANA L	5.00									
CHIEF EXECUTIVE OFFICER	55.00	X		X				0.	671,252.	200,438.
(13) VITIELLO, JONATHAN	8.00									
CHIEF FINANCIAL OFFICER	52.00	X		X				0.	493,118.	64,006.
(14) VOSS, DARYLE	40.00									
B MEMBER & OFFICER (PRES, MHOSP AS O	10.00	X		X				0.	0.	0.
(15) BARNARD, RYAN W	60.00									
VP-OPERATIONS - THROUGH 9/17/12	0.00				X			247,591.	0.	17,063.
(16) HANAN, RHONDA	60.00									
VP-NURSING	0.00				X			235,428.	0.	18,820.
(17) LE, BICH-VI	5.00									
REGIONAL VP-GENERAL COUNSEL	55.00				X			0.	240,502.	36,699.

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) PAYTON, BECKY J VP-HUMAN RESOURCES	10.00 50.00				X			0.	294,127.	40,333.
(19) TEW, DAVID CHIEF OPERATING OFFICER	5.00 55.00				X			0.	483,905.	67,702.
(20) BARKER, RICHARD D REGIONAL ADMINISTRATOR, RURAL FACILI	5.00 35.00					X		183,163.	0.	14,505.
(21) HALL, TAD CHIEF PHYSICIAN ASSISTANT	60.00 0.00					X		256,540.	0.	21,414.
(22) HENDREN, KAREN VP-FINANCE	40.00 10.00					X		145,239.	0.	8,723.
(23) HUTCHINS, STEPHEN PHYSICIAN	2.00 48.00					X		144,083.	0.	23,743.
(24) POWELL, LARRY D PHYSICIAN	60.00 0.00					X		175,600.	0.	13,278.
(25) CARMICHAEL, CINDY FORMER KEY EMPLOYEE	3.00 57.00						X	0.	241,487.	13,233.
1b Sub-total ▶								1,387,644.	3,485,038.	625,545.
c Total from continuation sheets to Part VII, Section A ▶								0.	0.	0.
d Total (add lines 1b and 1c) ▶								1,387,644.	3,485,038.	625,545.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 37

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ARDMORE ANESTHESIA INC PO BOX 1983, ARDMORE, OK 73402	MEDICAL SERVICES	932,755.
ARDMORE DIALYSIS RANCH INC, 2617 CROSSROADS DR, PO BOX 637, ARDMORE, OK	MEDICAL SERVICES	509,575.
OK LITHOTRIPTER ASSOC LC, 5401 N PORTLAND, SUITE 640, OKLAHOMA CITY, OK 73112	MEDICAL SERVICES	394,400.
LINEN KING 1521 W 36TH PLACE, TULSA, OK 74107	LINEN SERVICES	314,181.
JE DUNN CONSTRUCTION 929 HOLMES, KANSAS CITY, MO 64106	CONSTRUCTION	290,988.

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 16

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d	5,039,122.			
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f		5,039,122.			
Program Service Revenue		Business Code				
	2a NET PATIENT REVENUE	622110	142,595,140.	142,595,140.		
	b JOINT VENTURE INCOME	900099	128,928.	128,928.		
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a-2f		142,724,068.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		795.			795.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross rents	715,573.				
	b Less: rental expenses	735,132.				
	c Rental income or (loss)	-19,559.				
	d Net rental income or (loss)			-19,559.		-19,559.
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)					
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less. direct expenses	b				
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances	a				
	b Less cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a CAFETERIA	722210	554,130.			554,130.
	b LABORATORY SERVICE	621500	47,369.		47,369.	
	c					
	d All other revenue	622110	-3,559,609.	-3,559,609.		
	e **Total.** Add lines 11a-11d		-2,958,110.			
	12 **Total revenue.** See instructions.		144,786,316.	139,164,459.	47,369.	535,366.

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	328,622.	328,622.		
2 Grants and other assistance to individuals in the United States. See Part IV, line 22	96,150.	96,150.		
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	425,323.		425,323.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	36,897.		36,897.	
7 Other salaries and wages	37,669,869.	32,615,106.	5,054,763.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,653,076.	1,442,242.	210,834.	
9 Other employee benefits	5,344,318.	4,618,746.	725,572.	
10 Payroll taxes	2,711,676.	2,338,007.	373,669.	
11 Fees for services (non-employees):				
a Management				
b Legal	80,803.	3,748.	77,055.	
c Accounting	10,352.		10,352.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	4,955,138.	4,063,680.	891,458.	
12 Advertising and promotion	13,450.	11,030.	2,420.	
13 Office expenses	2,905,896.	2,383,108.	522,788.	
14 Information technology	18,372.	18,349.	23.	
15 Royalties				
16 Occupancy	2,264,182.	1,856,842.	407,340.	
17 Travel	214,259.	181,537.	32,722.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	206.	206.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	8,708,200.	2,532,877.	6,175,323.	
23 Insurance	708,266.		708,266.	
24 *Other expenses. Itemize expenses not covered above.* (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a DRUGS & MEDICAL EXPENSE	27,899,999.	22,880,627.	5,019,372.	
b SHARED SERVICE FEES	20,318,598.	417,739.	19,900,859.	
c BAD DEBTS	14,439,715.	14,439,715.		
d REPAIRS & MAINTENANCE	2,823,497.	2,315,533.	507,964.	
e All other expenses	1,082,121.	887,442.	194,679.	
25 **Total functional expenses.** Add lines 1 through 24e	134,708,985.	93,431,306.	41,277,679.	0.
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	3,000,093.	1	104,773.
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	1,000.
	4	Accounts receivable, net	18,362,103.	4	17,565,930.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr) Complete Part II of Sch L		6	
	7	Notes and loans receivable, net	47,159.	7	
	8	Inventories for sale or use	1,781,060.	8	1,796,053.
	9	Prepaid expenses and deferred charges	69,572.	9	134,296.
	10a	Land, buildings, and equipment. cost or other basis. Complete Part VI of Schedule D — 10a: 199,555,541.			
	b	Less. accumulated depreciation — 10b: 111,820,060.	90,903,696.	10c	87,735,481.
	11	Investments - publicly traded securities		11	
	12	Investments - other securities. See Part IV, line 11	137,250.	12	137,250.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	5,632,537.	15	23,186,524.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	119,933,470.	16	130,661,307.
Liabilities	17	Accounts payable and accrued expenses	6,675,703.	17	7,483,828.
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	290,903.	25	306,175.
	26	**Total liabilities.** Add lines 17 through 25	6,966,606.	26	7,790,003.
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☒ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	112,966,864.	27	122,871,304.
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	112,966,864.	33	122,871,304.
	34	Total liabilities and net assets/fund balances	119,933,470.	34	130,661,307.

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	144,786,316.
2	Total expenses (must equal Part IX, column (A), line 25)	2	134,708,985.
3	Revenue less expenses Subtract line 2 from line 1	3	10,077,331.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	112,966,864.
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	-172,891.
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	122,871,304.

Part XII Financial Statements and Reporting

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

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

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

MERCY HOSPITAL ARDMORE

Employer identification number

73-1500629

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)	
(ii)	A family member of a person described in (i) above?	11g(ii)	
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	

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

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

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III)

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. *(see instructions)* 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) . . . 14 %

15 Public support percentage from 2011 Schedule A, Part II, line 14 . . . . . 15 %

16a **33 1/3% support test - 2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . . ▶ ☐

b **33 1/3% support test - 2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization . . . . . ▶ ☐

17a **10% -facts-and-circumstances test - 2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization . ▶ ☐

b **10% -facts-and-circumstances test - 2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, *and if the organization meets the "facts-and-circumstances" test, check this box and* **stop here.** *Explain in Part IV how the* organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support.** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of organization	Employer identification number
MERCY HOSPITAL ARDMORE	73-1500629

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

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

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

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

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

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

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

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a. If zero or less, enter -0-		
i Subtract line 1f from line 1c. If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e.
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000.
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

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

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity	(a) Yes	(a) No	(b) Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?	X		9,800.
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?		X	
j Total. Add lines 1c through 1i			9,800.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

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

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

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

Part IV **Supplemental Information**

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

PART II-B, LINE 1, LOBBYING ACTIVITIES:

THE FILING ORGANIZATION IS A MEMBER OF AND PAYS DUES TO THE OKLAHOMA HOSPITAL ASSOCIATION, CATHOLIC HOSPITAL ASSOCIATION, AND AMERICAN HOSPITAL ASSOCIATION. FOR THE YEAR ENDED JUNE 30, 2013, DUES WERE $39,785, $24,795, AND $14,572, RESPECTIVELY. APPROXIMATELY 13.98% OF OKLAHOMA HOSPITAL ASSOCIATION DUES, 3.00% OF CATHOLIC HOSPITAL

Part IV **Supplemental Information** *(continued)*

ASSOCIATION DUES, AND 23.98% OF AMERICAN HOSPITAL ASSOCIATION DUES WERE ATTRIBUTABLE TO LOBBYING ACTIVITIES PERFORMED.

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization: MERCY HOSPITAL ARDMORE

Employer identification number: 73-1500629

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

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

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

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

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

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

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

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

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

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

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

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

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

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,849,325.		2,849,325.
b Buildings		98,246,797.	37,311,819.	60,934,978.
c Leasehold improvements				
d Equipment		93,131,179.	73,131,784.	19,999,395.
e Other		5,328,240.	1,376,457.	3,951,783.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				87,735,481.

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation. Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

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

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

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

(a) Description	(b) Book value
(1) OTHER LONG TERM ASSETS	322,394.
(2) DUE FROM TAX EXEMPT AFFILIATES	22,864,130.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	23,186,524.

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

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) OTHER LONG TERM LIABILITIES	306,175.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.) ▶	306,175.

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

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

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

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

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

Part XIII Supplemental Information

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

THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MERCY HEALTH AND AFFILIATES DO NOT INCLUDE A FOOTNOTE TO REPORT THE ORGANIZATION'S LIABILITY FOR UNCERTAIN TAX PROVISIONS UNDER ASC 740, AS THEY ARE DEEMED IMMATERIAL FOR DISCLOSURE.

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

MERCY HOSPITAL ARDMORE

Employer identification number

73-1500629

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	X	
b	If "Yes," was it a written policy?	1b	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year [X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities [ ] Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care. [X] 100% [ ] 150% [ ] 200% [ ] Other _____ %	3a	X	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care [ ] 200% [ ] 250% [ ] 300% [ ] 350% [X] 400% [ ] Other _____ %	3b	X	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	X	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		X
6a	Did the organization prepare a community benefit report during the tax year?	6a	X	
b	If "Yes," did the organization make it available to the public?	6b	X	

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			6003477.		6003477.	4.99%
b Medicaid (from Worksheet 3, column a)			19691108.	19064986.	626,122.	.52%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			25694585.	19064986.	6629599.	5.51%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			96,553.		96,553.	.08%
f Health professions education (from Worksheet 5)			275,358.		275,358.	.23%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			83,906.		83,906.	.07%
j **Total.** Other Benefits			455,817.		455,817.	.38%
k **Total.** Add lines 7d and 7j			26150402.	19064986.	7085416.	5.89%

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support			41,218.		41,218.	.03%
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development			22,847.		22,847.	.02%
9	Other			33,868.		33,868.	.03%
10	Total			97,933.		97,933.	.08%

Part III Bad Debt, Medicare, & Collection Practices

				Yes	No
Section A. Bad Debt Expense					
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		X	
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2	4,251,536.		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	0.		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.				
Section B. Medicare					
5	Enter total revenue received from Medicare (including DSH and IME)	5	54,818,060.		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	65,272,689.		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-10,454,629.		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used.				
	☐ Cost accounting system ☒ Cost to charge ratio ☐ Other				
Section C. Collection Practices					
9a	Did the organization have a written debt collection policy during the tax year?	9a		X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b		X	

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %

Part V Facility Information

Section A. Hospital Facilities
(list in order of size, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 MERCY HOSPITAL ARDMORE 1011 14TH AVENUE NW ARDMORE, OK 73401 WWW.MERCY.NET/ARDMOREOK	X	X					X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group MERCY HOSPITAL ARDMORE

For single facility filers only: line number of hospital facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)* MERCY HOSPITAL ARDMORE

			Yes	No
Financial Assistance Policy				
	Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care. 100 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
11	Used FPG to determine eligibility for providing *discounted* care?	11	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: 400 %			
	If "No," explain in Part VI the criteria the hospital facility used.			
12	Explained the basis for calculating amounts charged to patients?	12	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply):			
a	[X] Income level			
b	[X] Asset level			
c	[X] Medical indigency			
d	[ ] Insurance status			
e	[ ] Uninsured discount			
f	[ ] Medicaid/Medicare			
g	[ ] State regulation			
h	[ ] Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	13	X	
14	Included measures to publicize the policy within the community served by the hospital facility?	14	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply).			
a	[X] The policy was posted on the hospital facility's website			
b	[ ] The policy was attached to billing invoices			
c	[X] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[ ] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[X] The policy was available on request			
g	[ ] Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	X	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine patient's eligibility under the facility's FAP			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	17		X
	If "Yes," check all actions in which the hospital facility or a third party engaged.			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)* MERCY HOSPITAL ARDMORE

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

- a ☐ Notified individuals of the financial assistance policy on admission
- b ☐ Notified individuals of the financial assistance policy prior to discharge
- c ☐ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	19	X	

If "No," indicate why:

- a ☐ The hospital facility did not provide care for any emergency medical conditions
- b ☐ The hospital facility's policy was not in writing
- c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d ☐ Other (describe in Part VI)

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.

- a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d ☒ Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any of its FAP-eligible individuals, to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	21		X
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI	22		X

Part V Facility Information *(continued)*

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

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

Name and address	Type of Facility (describe)
1 MERCY CANCER CENTER 1220 HALL PLACE ARDMORE, OK 73401	CANCER TREATMENT
2 SOUTHERN OKLAHOMA DIAGNOSTIC CENTER, L 1111 WALNUT ARDMORE, OK 73401	MRI SERVICES

Part VI Supplemental Information

Complete this part to provide the following information.

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

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

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

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

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

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

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

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

PART I, LINE 7, COLUMN (F): THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 14439715.

PART II: MERCY HOSPITAL ARDMORE (MHARD) COMMUNITY BUILDING ACTIVITIES PROMOTE THE HEALTH OF THE COMMUNITIES IN WHICH THEY SERVE. THROUGH ACTIVE PARTICIPATION IN COMMUNITY BOARDS, NEIGHBORHOOD/COMMUNITY MEETINGS AND INVOLVEMENT IN COMMUNITY-BASED EVENTS, MHARD DEMONSTRATES ITS ONGOING COMMITMENT TO THE COMMUNITY. COMMUNITY BUILDING ACTIVITIES SERVE AS A LINK TO ENGAGE MERCY COWORKERS TO LOOK BEYOND THE WALLS OF THE FACILITIES IN WHICH THEY SERVE. MERCY CO-WORKERS PARTICIPATE AS BOARD MEMBERS, VOLUNTEERS GIVING HOURS OF HANDS-ON ASSISTANCE, PROGRAM DEVELOPMENT AND FUND RAISING. SOME OF THE COMMUNITY BUILDING ACTIVITIES IN WHICH MHARD SERVES ARE:

- SOUP KITCHEN
- GOOD SHEPHERD CLINIC

Part VI Supplemental Information

- SHAPE YOUR MENU: SCHOOL CAFETERIA PROJECT
- OKLAHOMA BLOOD INSTITUTE
- LOAVES AND FISHES
- AMERICAN CANCER SOCIETY
- AMERICAN HEART ASSOCIATION
- C-SARA FOUNDATION
- HFV WILSON YOUTH CENTER
- FAMILY SHELTER OF SOUTHERN OKLAHOMA

THROUGH THESE PROGRAMS ACCESS TO CARE IS ASSURED FOR THOSE WITHOUT OTHER RESOURCES, ADULTS AND CHILDREN ARE PROVIDED FOOD, EDUCATION AND MENTORING TO ACHIEVE HEALTH AND IMPROVED QUALITY OF LIFE.

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 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 ON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTHCARE 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

Part VI Supplemental Information

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 BALANCES WITH COLLECTION AGENCIES."

TO DETERMINE THE AMOUNT OF BAD DEBT EXPENSE, AT COST, BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENT ACCOUNTS WAS MULTIPLIED BY A RATIO OF COST TO CHARGES. THE RATIO OF COST TO CHARGES USED WAS BASED ON DETAILED COST ACCOUNTING, WHERE AVAILABLE. WHERE COST ACCOUNTING IS NOT AVAILABLE, COST REPORT COST TO CHARGE RATIOS WERE UTILIZED.

THE FILING ORGANIZATION DETERMINED THAT THE ESTIMATED AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS $0. ALTHOUGH THE CHARITY CARE POLICY REQUIRES THE PARTICIPATION OF THE PATIENT REQUESTING ASSISTANCE, WE HAVE A PROCESS UNDER PRESUMPTIVE CHARITY (REFER TO DISCLOSURE FOR PART III, #9B) TO ADDRESS ACCOUNTS FOR PATIENTS WHO DO NOT PROVIDE THE INFORMATION. WE BELIEVE THAT OUR CHARITY POLICY IS COMPREHENSIVE ENOUGH TO CAPTURE ALMOST ALL PATIENTS WHO QUALIFY FOR CHARITY CARE.

PART III, LINE 8: IT IS THE POSITION OF MERCY HOSPITAL ARDMORE 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.

Part VI | Supplemental Information

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)

PART III, LINE 9B: MERCY HOSPITAL ARDMORE ("MERCY") DEBT COLLECTION POLICY PROVIDES THAT MERCY WILL PERFORM A REASONABLE REVIEW OF EACH INPATIENT ACCOUNT BEFORE TURNING AN ACCOUNT TO A THIRD-PARTY COLLECTION AGENT AND PRIOR TO INSTITUTING ANY LEGAL ACTION FOR NON-PAYMENT, TO ASSURE THAT THE PATIENT AND PATIENT GUARANTOR ARE NOT ELIGIBLE FOR ANY ASSISTANCE PROGRAM (E.G., MEDICAID) AND DO NOT QUALIFY FOR COVERAGE THROUGH MERCY'S COMMUNITY ASSISTANCE POLICY. AFTER HAVING BEEN TURNED OVER TO A THIRD-PARTY COLLECTION AGENT, ANY PATIENT ACCOUNT THAT IS SUBSEQUENTLY DETERMINED TO MET THE MERCY HOSPITAL COMMUNITY ASSISTANCE POLICY IS REQUIRED TO BE RETURNED IMMEDIATELY BY THE THIRD-PARTY COLLECTION AGENT TO MERCY FOR APROPRIATE 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 UTILITIZES PRESUMPTIVE CHARITY PRIOR TO BAD DEBT PLACEMENT FOR CHARITY ADJUSTMENTS IN EXCESS OF $6,500. IN THESE CASES, MERCY UTILIZES THE SEARCH AMERICA REPORT STATUS OF

Part VI Supplemental Information

"PROBABLE CHARITY" AS THE BASIS FOR ASSIGNING THE CHARITY LEVEL.

MERCY WILL PURSUE APPROPRIATE MEANS IN THE COLLECTION OF DELINQUENT ACCOUNTS FROM PATIENTS WITH AN ESTABLISHED ABILITY TO PAY OR AN UNWILLINGNESS TO COOPERATE IN VALIDATING ELIGIBILITY FOR FINANCIAL ASSISTANCE. THESE APPROPRIATE MEANS MAY INCLUDE LEGAL ACTION CONSISTENT WITH MERCY MISSION AND VALUES. ADDITIONALLY THEY MAY INCLUDE LIENS UPON REAL PROPERTY AND REASONABLE WAGE GARNISHMENTS. LEGAL ACTIONS WILL GENERALLY NOT INCLUDE BANK GARNISHMENT, REPOSSESSION OF ASSETS OR FORECLOSURES TO ENFORCE SATISFACTION OF A LIEN. MERCY HAS POLICIES AND PROCEDURES ESTABLISHED TO ADDRESS THE INITIATION OF LEGAL ACTION AND ANNUALLY REVIEWS COMPLIANCE WITH ALL POLICIES.

MERCY HOSPITAL ARDMORE:

PART V, SECTION B, LINE 3: REFER TO PART VI, LINE 2 RESPONSE.

MERCY HOSPITAL ARDMORE:

PART V, SECTION B, LINE 20D: ELIGIBILITY GUIDELINES FOR CHARITY CARE DISCOUNTS

THE FEDERAL POVERTY GUIDELINES FOR INCOME ARE THE BASIS FOR DETERMINING ELIGIBILITY FOR CHARITY CARE DISCOUNTS. FOR EXAMPLE, INDIVIDUALS WITH INCOMES BELOW 100% OF THE FEDERAL POVERTY GUIDELINES WILL BE ELIGIBLE FOR FREE CARE. INDIVIDUALS WITH INCOMES GREATER THAN 100% OF THE FEDERAL POVERTY GUIDELINES MAY BE ELIGIBLE FOR CARE AT DISCOUNTED RATES DEPENDING ON THEIR INCOME LEVEL AND/OR THE AMOUNT DUE TO THE HOSPITAL.

ADDITIONAL FINANCIAL ASSISTANCE

Part VI Supplemental Information

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 INCOMEOR 10% OF NET ASSETS (WHICH EVER IS GREATER), ADJUSTED TO CONSIDER AVAILABILITY OF OTHER ASSETS THAT COULD BE USED TOWARD MAKING PAYMENTS.

PART VI, LINE 2: OUR NEEDS ASSESSMENT INVOLVED THE FOLLOWING FIVE STEPS TO ATTAIN THE FULL SCOPE OF OUR COMMUNITY'S NEEDS.

1. EXAMINING EXISTING COMMUNITY HEALTH NEEDS ASSESSMENTS.

-OKLAHOMA HEALTH IMPROVEMENT PLAN (OHIP)

THIS IS A COMPREHENSIVE PLAN TO IMPROVE THE HEALTH OF ALL OKLAHOMANS DEVELOPED BY THE OKLAHOMA STATE BOARD OF HEALTH, 2010-2014.

-COUNTY READINESS ASSESSMENT REPORT, 2011

THIS ASSESSMENT WAS COMPLETED BY THE CARTER COUNTY COMMUNITY UNDER THE DIRECTION OF THE CARTER COUNTY HEALTH DEPARTMENT AND THE TURNING POINT COALITION TO ASSESS THE LEVEL OF COMMUNITY READINESS IN ADDRESSING NUTRITION AND FITNESS.

-WELLNESS NOW-2011-2012

THIS COMMUNITY HEALTH IMPROVEMENT INITIATIVE ADDRESSES FITNESS AND NUTRITION. IT IS DESIGNED TO POOL COMMUNITY RESOURCES AND EXPAND PARTNERSHIPS TO TARGETED AREAS WITH THE MOST NEEDS AS A UNITED FORCE AND ACHIEVE REAL RESULTS.

-DATA FROM MERCY'S HEALTH INFORMATION SYSTEMS DEPARTMENT

DATA FROM MERCY'S OWN RECORDS WAS PULLED AND USED TO ASSESS THE NEEDS OF THE COMMUNITY.

-2011 STATE OF THE STATE HEALTH REPORT

THIS IS A REPORT THAT REVIEWS MULTIPLE INDICATORS THAT CONTRIBUTE TO

Part VI Supplemental Information

OKLAHOMA'S OVERALL HEALTH STATUS. IT ALSO SUMMARIZES OKLAHOMA HEALTH AS A WHOLE AND IDENTIFIES COUNTY SPECIFIC TRENDS.

-2012 COUNTY HEALTH RANKINGS

THE COUNTY HEALTH RANKINGS & ROADMAPS PROGRAM HELPS COMMUNITIES CREATE SOLUTIONS THAT MAKE IT EASIER FOR PEOPLE TO BE HEALTHY IN THEIR OWN COMMUNITIES, FOCUSING ON SPECIFIC FACTORS THAT WE KNOWN AFFECT HEALTH, SUCH AS EDUCATION AND INCOME.

-OKLAHOMA TURNING POINT

TURNING POINT STARTS AT THE LOCAL LEVEL, BUILDING BROAD-COMMUNITY SUPPORT AND PARTICIPATION IN PUBLIC HEALTH PRIORITY SETTING AND ACTION, ENGAGING AND LINKING AFFECTED PEOPLE AT THE LOCAL LEVEL. LOCAL FIELD CONSULTANTS IN EACH COUNTY OF OKLAHOMA PROVIDE LEADERSHIP IN ASSESSING LOCAL PUBLIC HEALTH NEEDS AND IDENTIFYING KEY PRIORITIES.

2. CONDUCT ROUNDTABLE DISCUSSIONS WITH COMMUNITY MEMBERS

AS PREVIOUSLY STATED, COMMUNITY INDIVIDUALS AS WELL AS EXPERTS IN THE PUBLIC HEALTH ARENA WERE INVITED TO ATTEND COMMUNITY ROUNDTABLES FOR INPUT ON THE NEEDS OF THE COMMUNITY.

3. ANALYZE AND SUMMARIZE THE DATA TO PRIORITIZE NEEDS.

4. REVIEW COMMUNITY BENEFIT ACTIVITIES.

5. CREATE AN ACTION PLAN IN PARTNERSHIP WITH THE COMMUNITY.

PART VI, LINE 3: THE FILING ORGANIZATION HAS PRINTED MATERIAL AVAILABLE AT EACH POINT OF REGISTRATION IN OUR FACILITY, IN ADDITION TO ELECTRONICALLY AVAILABILITY AT OUR WEB SITE AT MERCY.NET. SPECIFIC

Part VI Supplemental Information

INFORMATION PROVIDED:

FINANCIAL ASSISTANCE INFORMATION

AS A PART OF OUR HEALING MINISTRY, THE FILING ORGANIZATION IS COMMITTED TO PROVIDING QUALITY HEALTHCARE SERVICES TO PATIENTS REGARDLESS OF THEIR FINANCIAL SITUATION. WE OFFER PAYMENT ASSISTANCE FOR THOSE WHO DO NOT HAVE INSURANCE OR WHO ARE IN FINANCIAL NEED.

UNINSURED PATIENT DISCOUNTS

A DISCOUNT FROM THE HOSPITAL'S REGULAR BILLED CHARGES WILL BE PROVIDED TO PATIENTS WHO DO NOT HAVE INSURANCE. THIS INCLUDES PATIENTS WHOSE FINANCIAL SITUATION NORMALLY WOULD NOT OTHERWISE QUALIFY THEM FOR CHARITY CARE DISCOUNTS. PATIENTS WITHOUT INSURANCE WHOSE FINANCIAL SITUATION QUALIFIES THEM FOR CHARITY CARE DISCOUNTS (SEE ELIGIBILITY GUIDELINES BELOW) ARE ASSISTED OR ASKED IN APPLYING FOR MEDICAID BEFORE APPLYING FOR FINANCIAL ASSISTANCE. MERCY WORKS TO EXHAUST ALL EFFORTS TO COORDINATE WITH THE PATIENT TO APPLY FOR MEDICAID, BUT DOES NOT PROHIBIT CHARITY CONSIDERATIONS IF DENIED NOR APPLIED.

APPLICATIONS FOR CHARITY CARE DISCOUNTS WILL BE REVIEWED FOR ELIGIBILITY BASED ON THE APPLICANT'S INCOME, FAMILY SIZE, AMOUNT OF PAYMENT DUE AND AVAILABILITY OF OTHER ASSETS OR RESOURCES. PLEASE NOTE THAT CARE MUST BE MEDICALLY NECESSARY TO BE CONSIDERED ELIGIBLE FOR UNINSURED PATIENT DISCOUNTS.

PART VI, LINE 4: MERCY HOSPITAL ARDMORE'S PRIMARY SERVICE AREA INCLUDES SIX COUNTIES IN SOUTHERN OKLHAHOMA, BORDERING TEXAS. THESE COUNTIES INCLUDE CARTER, JEFFERSON, JOHNSTON, LOVE, MARSHALL AND MURRAY.

Part VI | Supplemental Information

BASED ON TRUVEN 2012 DATA, THE AREA'S POPULATION IS 105,349. THE AVERAGE HOUSEHOLD INCOME FOR THE AREA IS $46,986. 16% OF THE POPULATION IS AGE 65 AND OLDER. 19% OF THE POPULATION IS ON MEDICARE, 21% ON MEDICAID, AND 18% UNINSURED, BASED ON 2012 TRUVEN INSURANCE ESTIMATES.

PART VI, LINE 5: MERCY HOSPITAL ARDMORE, INC. (MHARD) PROVIDES QUALITY MEDICAL HEALTH CARE REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR ABILITY TO PAY. IN ACTIVE PURSUIT OF THIS MISSION, MHARD PROVIDED SERVICES TO 9,566 INPATIENTS, 39,503 EMERGENCY ROOM VISITS, AND 82,749 OUTPATIENT VISITS.

MHARD IS A CATHOLIC HEALTH CARE CORPORATION THAT, PURSUANT TO THE ORGANIZATIONAL CORE BELIEF THAT HEALTH CARE SERVICES ARE A VITAL AND INTEGRAL PART OF THE CHURCH'S HEALING MISSION, ENGAGES IN A MINISTRY WHICH PROVIDES GENERAL ACUTE CARE, AMBULATORY, LONG-TERM AND HOME CARE HEALTH SERVICES TO INDIVIDUALS AND FAMILIES IN ITS SERVICE COMMUNITIES. IN KEEPING WITH MHARD∅S COMMITMENT TO SERVE ALL MEMBERS OF THE COMMUNITIES IT SERVES, MHARD PROVIDES CARE TO PATIENTS REGARDLESS OF ABILITY TO PAY. AS DEFINED BY THE INSTITUTION'S CHARITY POLICY, MHARD DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY FOR CHARITY CARE. IN ADDITION, MHARD PROVIDES SERVICES TO OTHER PATIENTS UNDER THE MEDICARE PROGRAM AND VARIOUS STATE MEDICAID PROGRAMS. SUCH PROGRAMS PAY PROVIDERS AMOUNTS THAT ARE SUBSTANTIALLY LESS THAN BILLED CHARGES, AND FREQUENTLY LESS THAN THE COST, OF THE SERVICES PROVIDED TO THE RECIPIENTS.

MHARD IS GOVERNED BY A BOARD OF DIRECTORS WHICH INCLUDES REPRESENTATION FROM COMMUNITY LEADERS IN THE ORGANIZATION'S PRIMARY SERVICE AREAS. ALL BOARD MEMBERS ARE REQUIRED TO COMPLETE AN ANNUAL CONFLICT OF INTEREST

Part VI | Supplemental Information

SURVEY. ANY POTENTIAL CONFLICTS OF INTEREST DISCLOSED BY BOARD MEMBERS ARE SCREENED BY GENERAL COUNSEL AND REVIEWED BY THE BOARD CHAIRPERSON AND CEO. THIS PROCESS ENSURES THAT PUBLIC, RATHER THAN PRIVATE INTERESTS ARE SERVED BY MHARD.

SURPLUS FUNDS AND UNRESTRICTED ASSETS HELD BY MHARD ARE REINVESTED IN PATIENT CARE, MEDICAL EDUCATION AND RESEARCH INITIATIVES WHICH SUPPORT THE ORGANIZATION'S MISSION TO DELIVER COMPASSIONATE CARE AND EXCEPTIONAL HEALTH CARE SERVICES TO THE COMMUNITIES IT SERVES. EXAMPLES INCLUDE THE FOLLOWING:

- OKLAHOMA UNIVERSITY AND OKLAHOMA STATE UNIVERSITY MEDICAL STUDENTS ARE PROVIDED HOUSING AND THIRD YEAR ROTATIONS
- SECOND HEART CATH LAB INSTALLED TO PROVIDE PATIENTS A HIGHER LEVEL OF CARE THROUGH IMPROVED TECHNOLOGY

PART VI, LINE 6: THE FILING ORGANIZATION IS PART OF MERCY HEALTH ("MERCY"). MERCY IS A MISSOURI NON-PROFIT CORPORATION WITH ITS HEADQUARTERS ("MINISTRY OFFICE") IN ST. LOUIS, MISSOURI. MERCY PROVIDES HEALTH CARE SERVICES IN FOUR STATES - ARKANSAS, KANSAS, MISSOURI, AND OKLAHOMA - AND HAS OUTREACH MINISTRIES LOCATED IN LOUISIANA, MISSISSIPPI, AND TEXAS. MERCY'S MISSION IS "AS THE SISTERS OF MERCY BEFORE US, WE BRING LIFE TO THE HEALING MINISTRY OF JESUS THROUGH OUR COMPASSIONATE CARE AND EXCEPTIONAL SERVICE." AS OF JUNE 30, 2013, MERCY FACILITIES INCLUDED 28 ACUTE CARE HOSPITALS, 4 MANAGED HOSPITALS, 4 HEART HOSPITALS, 2 CHILDREN'S HOSPITALS AND 2 REHAB HOSPITALS. FOR THE FISCAL YEAR ENDED JUNE 30, 2013, MERCY HAD 5.5 MILLION PROVIDER VISITS, MORE THAN 1,900 EMPLOYED PHYSICIANS, AND APPROXIMATELY 39,000 FULL-TIME EQUIVALENT EMPLOYEES,

Part VI Supplemental Information

MAKING MERCY THE SEVENTH LARGEST CATHOLIC HEALTH SYSTEM IN THE UNITED STATES BASED ON NET PATIENT SERVICE REVENUE. MERCY IS SPONSORED BY MERCY HEALTH MINISTRY, WHICH IS GOVERNED BY MEMBERS THAT INCLUDE SISTERS OF MERCY. MANY SERVICES THAT ARE ESSENTIAL TO FULFILLING MERCY'S MISSION ARE CENTRALIZED AT THE MINISTRY OFFICE. SUCH CENTRALIZED SERVICES INCLUDE TREASURY, INFORMATION TECHNOLOGY, CLINICAL QUALITY MANAGEMENT, LEGAL AND COMPLIANCE COUNSEL, COMPENSATION AND BENEFITS, CONSULTING, PERFORMANCE MANAGEMENT, REVENUE MANAGEMENT, CAPITAL MANAGEMENT, CLINICAL ENGINEERING, AND CLINICAL SAFETY. THE CENTRALIZATION OF SUCH SUPPORT SERVICES ENABLES MERCY TO ENSURE THAT EACH OF ITS COMMUNITIES, WHETHER LARGE OR SMALL, HAS THE SERVICES IT NEEDS.

SCHEDULE I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990.**

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

MERCY HOSPITAL ARDMORE

Employer identification number

73-1500629

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? [X] Yes [ ] No

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
ARDMORE CHAMBER OF COMMERCE PO BOX 1585 ARDMORE , OK 73402	73-0130860	501(C)(6)	8,850.	0.			GENERAL OPERATIONS

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶ 0.

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
TUITIONS SCHOLARSHIPS	34	96,150.	0.		

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

THE ORGANIZATION USES AN APPROVAL PROCESS TO DETERMINE WHICH ORGANIZATIONS WILL RECEIVE GRANTS DURING THE FISCAL YEAR. THE FUNDS ARE THEN GIVEN DIRECTLY TO THE NONPROFIT ORGANIZATION.

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

MERCY HOSPITAL ARDMORE

Employer identification number

73-1500629

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☒ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	X	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	X	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☐ Compensation committee	☐ Written employment contract		
	☐ Independent compensation consultant	☐ Compensation survey or study		
	☐ Form 990 of other organizations	☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment?	4a	X	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.			
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		X
b	Any related organization?	5b		X
	If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		X
b	Any related organization?	6b		X
	If "Yes" to line 6a or 6b, describe in Part III.			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	X	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) ROTHER MD, JEFFREY	(i)	0.	0.	0.	0.	0.	0.	0.
BOARD MEMBER	(ii)	292,019.	80,055.	26,432.	1,548.	15,334.	415,388.	0.
(2) BURDICK, MALINDA	(i)	0.	0.	0.	0.	0.	0.	0.
PRESIDENT, MERCY HOSPITAL ARDMORE-TH	(ii)	199,972.	135,792.	145,602.	48,484.	5,776.	535,626.	0.
(3) JOBE, RANDY	(i)	0.	0.	0.	0.	0.	0.	0.
B MEMBER & OFFICER (PRES, MHOSP-THRU	(ii)	127,233.	23,058.	30,484.	442.	14,004.	195,221.	0.
(4) SMALLEY, DIANA L	(i)	0.	0.	0.	0.	0.	0.	0.
CHIEF EXECUTIVE OFFICER	(ii)	459,480.	202,287.	9,485.	182,822.	17,616.	871,690.	0.
(5) VITIELLO, JONATHAN	(i)	0.	0.	0.	0.	0.	0.	0.
CHIEF FINANCIAL OFFICER	(ii)	294,647.	102,118.	96,353.	47,736.	16,270.	557,124.	0.
(6) BARNARD, RYAN W	(i)	131,022.	37,171.	79,398.	5,663.	11,400.	264,654.	0.
VP-OPERATIONS - THROUGH 9/17/12	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) HANAN, RHONDA	(i)	112,527.	42,036.	80,865.	7,515.	11,305.	254,248.	0.
VP-NURSING	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) LE, BICH-VI	(i)	0.	0.	0.	0.	0.	0.	0.
REGIONAL VP-GENERAL COUNSEL	(ii)	136,596.	57,951.	45,955.	21,562.	15,137.	277,201.	0.
(9) PAYTON, BECKY J	(i)	0.	0.	0.	0.	0.	0.	0.
VP-HUMAN RESOURCES	(ii)	195,331.	71,727.	27,069.	28,314.	12,019.	334,460.	0.
(10) TEW, DAVID	(i)	0.	0.	0.	0.	0.	0.	0.
CHIEF OPERATING OFFICER	(ii)	336,099.	116,358.	31,448.	51,644.	16,058.	551,607.	0.
(11) BARKER, RICHARD D	(i)	141,583.	24,748.	16,832.	13,130.	1,375.	197,668.	0.
REGIONAL ADMINISTRATOR, RURAL FACILI	(ii)	0.	0.	0.	0.	0.	0.	0.
(12) HALL, TAD	(i)	233,292.	0.	23,248.	12,581.	8,833.	277,954.	0.
CHIEF PHYSICIAN ASSISTANT	(ii)	0.	0.	0.	0.	0.	0.	0.
(13) HENDREN, KAREN	(i)	107,867.	5,000.	32,372.	0.	8,723.	153,962.	0.
VP-FINANCE	(ii)	0.	0.	0.	0.	0.	0.	0.
(14) HUTCHINS, STEPHEN	(i)	97,972.	0.	46,111.	8,980.	14,763.	167,826.	0.
PHYSICIAN	(ii)	0.	0.	0.	0.	0.	0.	0.
(15) POWELL, LARRY D	(i)	116,213.	35,000.	24,387.	7,048.	6,230.	188,878.	0.
PHYSICIAN	(ii)	0.	0.	0.	0.	0.	0.	0.
(16) CARMICHAEL, CINDY	(i)	0.	0.	0.	0.	0.	0.	0.
FORMER KEY EMPLOYEE	(ii)	167,114.	46,394.	27,979.	6,523.	6,710.	254,720.	0.

Part III Supplemental Information

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

PART I, LINE 1A: 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. SPOUSAL TRAVEL WAS PROVIDED FOR EMPLOYEES OF A RELATED ORGANIZATION, VI LE AND CINDY CARMICHAEL.

LIMITED INSTANCES OF TAX GROSS-UPS MAY HAVE OCCURRED WITH RESPECT TO EXECUTIVES.

HOUSING BENEFITS ARE PROVIDED THROUGH A RELOCATION PROGRAM IN ACCORDANCE WITH COMPANY POLICY. SUCH BENEFITS ARE TAXED TO THE EMPLOYEE OF A RELATED ORGANIZATION RANDY JOBE; AND KAREN HENDREN.

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

PAYMENT BY THE COMPANY OF COSTS FOR TEMPORARY HOUSING BY EMPLOYEES FOR THE CONVENIENCE OF THE COMPANY IS MADE IN ACCORDANCE WITH THE CO-WORKER TRAVEL AND OTHER EXPENSE POLICY AND PROCEDURES. AS A REIMBURSABLE EXPENSE, THIS TYPE OF LODGING IS NOT TAXABLE TO THE EMPLOYEE.

PART I, LINES 4A-B: RYAN W BARNARD RECEIVED $55,472 OF SEVERANCE COMPENSATION FROM MERCY HOSPITAL ARDMORE. MALINDA S BURDICK RECEIVED $83,442 OF SEVERANCE COMPENSATION FROM A RELATED ORGANIZATION. RHONDA J HANAN RECEIVED $48,836 OF SEVERANCE COMPENSATION FROM MERCY HOSPITAL ARDMORE.

PART I, LINE 4B:

MERCY HEALTH, THE PARENT COMPANY, 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 FOLLOWING INDIVIDUALS PARTICIPATED IN A SUPPLEMENTAL MANAGEMENT RETIREMENT PLAN:

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

MALINDA BURDICK; JONATHAN VITIELLO; BICH-VI LE; BECKY PAYTON; DAVID TEW

THE INDIVIDUALS LISTED ABOVE DID NOT RECEIVE PAYMENTS FROM THE SUPPLEMENTAL MANAGEMENT RETIREMENT PLAN DURING THE YEAR FROM THE FILING ORGANIZATION OR RELATED ORGANIZATIONS.

THE FOLLOWING INDIVIDUAL PARTICIPATED IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN:

DIANA SMALLEY

THE INDIVIDUAL LISTED ABOVE DID NOT RECEIVE PAYMENTS FROM THE SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN DURING THE YEAR FROM THE FILING ORGANIZATION OR RELATED ORGANIZATIONS. THE AMOUNT OF ALL ACCRUED BENEFITS IS INCLUDED IN COMPENSATION AMOUNTS PROVIDED IN SCHEDULE J, PART II, COLUMN (C).

PART I, LINE 7: THE RELATED ORGANIZATION WHICH EMPLOYS THOSE INDIVIDUALS LISTED ON PART VII, AND THE FILING ORGANIZATION WHEN APPLICABLE, PROVIDES A NON-FIXED BONUS PLAN FOR WHICH CERTAIN TIERS OF ITS EMPLOYEES ARE ELIGIBLE. FOR FISCAL YEAR 2013 (JULY 1, 2012 - JULY 30,

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

2013) PAYMENT OF ALL OR PART OF THE BONUS WAS CONTINGENT UPON ATTAINMENT OF CERTAIN FINANCIAL TARGETS. PAYMENTS ARE MADE ANNUALLY IN OCTOBER FOLLOWING (I) THE CONCLUSION OF THE FISCAL YEAR AND (II) DETERMINATION OF GOAL ACHIEVEMENT. BONUS OPPORTUNITIES ARE TIERED PERCENTAGES AND ARE DEPENDENT UPON THE LEADERSHIP LEVEL AND ATTAINMENT PERCENTAGE. MERCY'S ATTAINMENT OF FINANCIAL GOALS ARE REVIEWED BY THE EXECUTIVE COMPENSATION COMMITTEE OF MERCY HEALTH AND ARE THEN TAKEN INTO ACCOUNT WHEN ANALYZING EXECUTIVE COMPENSATION FOR REASONABLENESS.

PART I, LINE 3:

THE FILING ORGANIZATION RELIES ON A RELATED ORGANIZATION; REFER TO SCHEDULE O, PART VI, QUESTION 15A AND 15B FOR THE PROCESS THE RELATED ORGANIZATION FOLLOWS.

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.

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

OMB No 1545-0047

2012

Open To Public Inspection

Name of the organization

MERCY HOSPITAL ARDMORE

Employer identification number

73-1500629

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only)

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefiting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
MEGHANN LODES	FAMILY MEMBER OF CL	36,897.	EMPLOYMENT		X

Part V Supplemental Information

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

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: MEGHANN LODES

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

FAMILY MEMBER OF CLAYTON LODES, BOARD MEMBER

(C) AMOUNT OF TRANSACTION $ 36,897.

(D) DESCRIPTION OF TRANSACTION: EMPLOYMENT ARRANGEMENT

(E) SHARING OF ORGANIZATION REVENUES? = NO

SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ,

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

OMB No. 1545-0047

2012

Open to Public Inspection

Name of the organization

MERCY HOSPITAL ARDMORE

Employer identification number

73-1500629

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

COMMUNITIES. TO PROVIDE QUALITY HEALTH SERVICES THROUGH A WISE USE OF RESOURCES AND EXCEPTIONAL MERCY SERVICE.

FORM 990, PART III, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

MERCY HOSPITAL ARDMORE IMPLEMENTS AND ADVOCATES FOR INNOVATIVE HEALTH AND SOCIAL SERVICES TO IMPROVE THE HEALTH AND QUALITY OF LIFE OF COMMUNITIES SERVED, WITH PARTICULAR CONCERN FOR PEOPLE WHO ARE ECONOMICALLY POOR.

IN SERVING OTHERS WE MAKE A DIFFERENCE BY TOUCHING THEIR LIVES WITH COMPASSION AND EXCEPTIONAL MERCY SERVICE.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

MERCY RECOGNIZES THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE ESSENTIAL MEDICAL SERVICES AND, FURTHER, THAT PART OF OUR MISSION IS TO PROVIDE HEALTH CARE SERVICES AND HEALTH CARE EDUCATION TO THE COMMUNITIES IN WHICH OUR FACILITIES ARE LOCATED. IN KEEPING WITH MERCY'S COMMITMENT TO SERVE ALL MEMBERS OF THE COMMUNITY, MERCY PROVIDES; (I) FREE CARE AND/OR SUBSIDIZED CARE, (II) CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST, (III) HEALTH ACTIVITIES AND PROGRAMS TO SUPPORT THE COMMUNITY, (IV) HEALTH EDUCATION PROGRAMS, AND (V) A VARIETY OF BROAD COMMUNITY SUPPORT ACTIVITIES. AMONG THE COMMUNITY SUPPORT ACTIVITIES OFFERED BY MERCY ARE THE FOLLOWING:

Name of the organization: MERCY HOSPITAL ARDMORE

Employer identification number: 73-1500629

1) HEALTH EDUCATION AND WELLNESS PROGRAMS AND OTHER SUPPORT GROUP MEETINGS OFFERED TO THE COMMUNITY.

2) HEALTH SERVICES SUCH AS HEALTH FAIRS AND SCREENINGS, FREE CLINICS, PRE-NATAL AND WELL BABY CARE.

3) HEALTH PROFESSIONALS ARE PROVIDED EDUCATION, INCLUDING OPPORTUNITIES FOR CLINICAL INTERNSHIPS.

4) SUBSIDIZED HEALTH SERVICES INCLUDING HOSPICE, HOME HEALTH SERVICES, AND DISASTER READINESS.

5) COMMUNITY HEALTH RESEARCH

6) CASH AND IN-KIND DONATIONS FOR EVENTS AND FUND-RAISING

7) COMMUNITY BUILDING ACTIVITIES, IN PARTNERSHIP WITH OTHER COMMUNITY ORGANIZATIONS

MERCY PROVIDES CARE TO PATIENTS WHO LACK FINANCIAL RESOURCES AND ARE DEEMED TO BE MEDICALLY INDIGENT AND DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE. IN ADDITION, MERCY PROVIDES SERVICES TO OTHER PATIENTS UNDER THE MEDICARE PROGRAM AND VARIOUS STATE MEDICAID PROGRAMS. SUCH PROGRAMS PAY PROVIDERS AMOUNTS THAT ARE LESS THAN BILLED CHARGES OF THE SERVICES PROVIDED TO THE RECIPIENTS. CARE IS PROVIDED TO THOSE WITH LIMITED OR NO ABILITY TO PAY. RELIEF FOR THE FINANCIAL BURDEN OF HEALTH CARE SERVICES RENDERED TO THE INDIGENT TOTALED $5,727,827 IN FY2013.

THE ABOVE AMOUNT DOES NOT REFLECT THE COST OF HEALTH ACTIVITIES AND PROGRAMS TO SUPPORT THE COMMUNITY HEALTH EDUCATION PROGRAMS AND OTHER COMMUNITY SUPPORT ACTIVITIES. THE SERVICES PROVIDED BY MERCY, AS WELL AS THE AMOUNT OF CHARITY CARE PROVIDED, DEMONSTRATES THE ONGOING COMMITMENT OF THE ORGANIZATION TO SERVE IN A LEADERSHIP ROLE AS AN

Name of the organization: MERCY HOSPITAL ARDMORE

Employer identification number: 73-1500629

ADVOCATE FOR RESPONSIVE HEALTHCARE SERVICES FOR THE COMMUNITY, WITH A DEEP COMMITMENT AND SENSITIVITY TO MEETING THE NEEDS OF THE POOR.

FORM 990, PART VI, SECTION A, LINE 6: MERCY HEALTH OKLAHOMA COMMUNITIES IS THE SOLE MEMBER OF THE ORGANIZATION.

FORM 990, PART VI, SECTION A, LINE 7A: MERCY HEALTH OKLAHOMA COMMUNITIES (THE MEMBER) MAY APPOINT OR REMOVE MEMBERS OF THE BOARD OF DIRECTORS AT ANY TIME AT THE MEMBER'S DISCRETION.

FORM 990, PART VI, SECTION A, LINE 7B: MERCY HEALTH OKLAHOMA COMMUNITIES HAS THE FOLLOWING POWERS AND RESPONSIBILITIES:

-TO APPROVE THE MISSION AND ESTABLISH THE PHILOSOPHY ACCORDING TO WHICH THE CORPORATION SHALL OPERATE;

-TO AMEND AND APPROVE THE ARTICLES OF INCORPORATION AND BYLAWS OF THE CORPORATION AND TO AMEND AND APPROVE THE ARTICLES OF INCORPORATION AND BYLAWS OF ANY CORPORATION CONTROLLED BY THE CORPORATION;

-TO APPOINT AND REMOVE THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION;

-TO APPROVE OR AMEND THE STRATEGIC PLAN, GOALS AND OBJECTIVES OF THE CORPORATION;

-TO APPROVE OR AMEND THE OPERATING, CAPITAL, AND CONSTRUCTION BUDGETS FOR THE CORPORATION;

-TO LEASE OR SELL ANY OF THE ASSETS OF THE CORPORATION OR ANY CORPORATION CONTROLLED BY THE CORPORATION IN EXCESS OF ONE MILLION DOLLARS ($1,000,000);

-TO ENCUMBER ANY OR ALL OF THE ASSETS OF THE CORPORATION OR ANY CORPORATION CONTROLLED BY THE CORPORATION;

-TO AUTHORIZE AND APPROVE THE INCURRENCE OF DEBT BY THE CORPORATION OR ANY

Name of the organization: MERCY HOSPITAL ARDMORE

Employer identification number: 73-1500629

ORGANIZATION CONTROLLED BY THE CORPORATION (OTHER THAN DEBT INCURRED FOR THE ACQUISITION OF GOODS THAT ARE ACQUIRED IN THE ORDINARY COURSE OF BUSINESS) AND TO GRANT ANY SECURITY INTERESTS, PLACE ANY ENCUMBRANCES, ENTER INTO ANY COVENANTS, AND EXECUTY ANY DOCUMENTS AND TAKE ANY ACTIONS NECESSARY OR APPROPRIATE IN CONNECTION WITH THE INCURRENCE OF SUCH DEBT;

-TO MERGE, DISSOLVE, OR ABANDON THE CORPORATION; AND,

-TO APPROVE THE CREATION, OWNERSHIP OR ACQUISITION OF, OR AFFILIATION WITH, ANY OTHER ORGANIZATION BY THE CORPORATION.

FORM 990, PART VI, SECTION B, LINE 11: THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM, USING INFORMATION PROVIDED BY THE FILING ORGANIZATION. A DRAFT FORM 990 IS REVIEWED BY THE FILING ORGANIZATION'S FINANCE TEAM. THE DRAFT FORM 990 IS ALSO REVIEWED BY THE MERCY HEALTH TAX DEPARTMENT, TO ENSURE ACCURACY AND CONSISTENCY WITH OTHER RELATED ORGANIZATIONS' FORM 990S. AFTER QUESTIONS ARISING FROM THE VARIOUS REVIEWS ARE ADDRESSED AND INCORPORATED INTO THE FORM 990, A REVISED DRAFT IS PROVIDED TO THE FILING ORGANIZATION'S LEADERSHIP TEAM FOR REVIEW. ONCE REVIEWED AND APPROVED BY THE FILING ORGANIZATION'S LEADERSHIP TEAM, THE FORM 990 IS PROVIDED TO THE BOARD OF DIRECTORS FOR REVIEW; IT IS THEN SIGNED AND FILED WITH THE IRS.

FORM 990, PART VI, SECTION B, LINE 12C: OFFICERS, DIRECTORS, KEY EMPLOYEES AND OTHER DISQUALIFIED PERSONS ARE REQUIRED TO COMPLETE A CONFLICT OF INTEREST QUESTIONNAIRE ANNUALLY AND DID SO IN THE NORMAL COURSE FOR THE YEAR ENDED JUNE 30, 2013. THIS PROCESS IS ADMINISTERED AT THE MERCY HEALTH LEVEL BY MERCY'S BUSINESS RISK (INTERNAL AUDIT) DEPARTMENT. THE QUESTIONNAIRES ARE REVIEWED WITH LEADERSHIP AT THE LOCAL LEVEL AND POTENTIAL CONFLICTS DISCUSSED AND RESOLVED. THE CONFLICTS AND THEIR

Name of the organization: MERCY HOSPITAL ARDMORE

Employer identification number: 73-1500629

RESPECTIVE RESOLUTIONS ARE SHARED AT THE MERCY LEVEL WITH A TEAM INCLUDING MERCY'S CHIEF FINANCIAL OFFICER, CHIEF COMPLIANCE OFFICER AND OTHER MEMBERS OF FINANCE, LEGAL AND HR. SUMMARY RESULTS ARE REVIEWED WITH MERCY'S STEWARDSHIP COMMITTEE (FORMERLY FINANCE, AUDIT AND COMPLIANCE COMMITTEE) OF THE BOARD OF DIRECTORS.

FORM 990, PART VI, SECTION B, LINE 15A: FOR THOSE CLASSIFIED AS OFFICERS (AND THUS DISQUALIFIED PERSONS), THE ORGANIZATION USES THE FOLLOWING TO ESTABLISH COMPENSATION: EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, ENGAGEMENT OF AN INDEPENDENT COMPENSATION CONSULTANT, AND REVIEW/APPROVAL OF COMPENSATION BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF MERCY HEALTH. FOR THOSE CLASSIFIED AS KEY EMPLOYEES, THE ORGANIZATION USES THE FOLLOWING TO ESTABLISH THE COMPENSATION: EXTERNAL MARKET SALARY SURVEYS, EXTERNAL MARKET SALARY STUDIES, AND REVIEW/APPROVAL OF EXECUTIVE MANAGEMENT. COMPENSATION REVIEWS ARE COMPLETED ON AN ANNUAL BASIS, AND A REVIEW WAS COMPLETED DURING THE REPORTING YEAR.

FORM 990, PART VI, SECTION C, LINE 19: GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE MADE AVAILABLE FROM TIME TO TIME BUT ARE NOT PUBLISHED PUBLICLY.

FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS:

NET CONTRIBUTIONS	-43,963.
INCOME FROM JOINT VENTURE	-128,928.
TOTAL TO FORM 990, PART XI, LINE 9	-172,891.

PART XI, LINE 2

AUDITED FINANCIAL STATEMENTS

Name of the organization: MERCY HOSPITAL ARDMORE

Employer identification number: 73-1500629

THE FILING ORGANIZATION'S FINANCIAL STATEMENTS WERE INCLUDED IN THE MERCY HEALTH AND SUBSIDIARIES ANNUAL FINANCIAL STATEMENT AUDIT. MERCY HEALTH AND SUBSIDIARIES RECEIVED AN UNQUALIFIED OPINION FROM THE EXTERNAL AUDITORS FOR FISCAL 2013 (THE TAX YEAR CURRENTLY BEING REPORTED). HOWEVER, NO SEPARATE AUDIT OPINION IS ISSUED ON THE FINANCIAL STATEMENTS OF THE FILING ORGANIZATION.

THE ULTIMATE RESPONSIBILITY FOR OVERSIGHT OF THE FINANCIAL STATEMENT AUDIT AND SELECTION OF THE EXTERNAL AUDITOR LIES WITH THE STEWARDSHIP COMMITTEE (FORMERLY FINANCE, AUDIT, AND COMPLIANCE COMMITTEE) OF THE MERCY HEALTH BOARD OF DIRECTORS. AUDIT RESULTS ARE COMMUNICATED TO THIS COMMITTEE.

PART XI, LINE 3

SINGLE AUDIT ACT AND OMB CIRCULAR A-133

THE CONSOLIDATED GROUP OF MERCY HEALTH IS REQUIRED TO UNDERGO AN AUDIT AS SET FORTH IN THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133. THE SINGLE AUDIT WAS CONDUCTED ON A CONSOLIDATED BASIS.

FORM 990, SCHEDULE R, PART II

MERCY HOSPITALS EAST COMMUNITIES

MERCY HOSPITALS EAST COMMUNITIES HEALTH SYSTEM CONSISTS OF MERCY HOSPITALS EAST COMMUNITIES ST. LOUIS, EIN 43-065393, AND MERCY HOSPITALS EAST COMMUNITIES WASHINGTON, EIN 43-1066883.

FORM 990, SCHEDULE R, PART V

SYSTEM LIMITATIONS

LAWSON ERP SOFTWARE IS THE PRIMARY ACCOUNTING SOFTWARE USED BY MERCY

Name of the organization: MERCY HOSPITAL ARDMORE

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HEALTH AND SUBSIDIARIES. THE MAJORITY OF THE INTERCOMPANY/RELATED ORGANIZATION TRANSACTIONS ARE PROCESSED THROUGH LAWSON VIA INTERCOMPANY JOURNAL ENTRIES. WITH THE CURRENT DESIGN OF THE ERP SYSTEM, THERE ARE VARIOUS LIMITATIONS ON THE RELATED ORGANIZATION INFORMATION THAT CAN BE EXTRACTED FROM LAWSON. DUE TO THESE LIMITATIONS, MOST OF THE RELATED ORGANIZATION ACTIVITY FOR THE FILING ORGANIZATION HAS BEEN CLASSIFIED ON SCHEDULE R,PART V, IN LINES P & Q.

FORM 990, PART V, LINE 1A

INDEPENDENT CONTRACTORS

INDEPENDENT CONTRACTORS FOR THE FILING ORGANIZATION ARE PAID BY MERCY HEALTH (EIN 43-1423050). AS SUCH, ALL REQUIRED FORM 1099 AND FORM 1096 REPORTING IS MADE FOR THE ENTIRE HEALTH SYSTEM (WITH LIMITED EXCEPTIONS) UNDER THE MERCY HEALTH EIN.

SCHEDULE R
(Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization
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Employer identification number
73-1500629

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
CASA DE MISERICORDIA - 74-2912461 1602 MCCLELLAND STREET LAREDO, TX 78044	WOMEN'S DOMESTIC VIOLENCE SHELTER	TEXAS	501C3	7	MERCY MINISTRIES OF LAREDO	X	
JEFFERSON LAND COMPANY, INC. - 43-1330360 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	TITLE HOLDING COMPANY	MISSOURI	501C2		MERCY HOSPITAL JEFFERSON	X	
LAREDO MEDICAL GROUP - 74-2764726 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	INACTIVE	TEXAS	501C3	9	MERCY HEALTH SYSTEM TX	X	
MCAULEY PORTFOLIO MGMT CO - 26-1708048 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	PORTFOLIO MANAGEMENT	MISSOURI	501C3	11-II	MERCY HEALTH	X	

Part II **Continuation of Identification of Related Tax-Exempt Organizations**

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) No
MERCY CLINIC EAST COMMUNITIES - 43-1771217 645 MARYVILLE CTR DR STE 100 ST, LOUIS, MO 63141	PHYSICIAN GROUP	MISSOURI	501C3	9	MERCY HEALTH EAST COMMUNITIES	X	
MERCY CLINIC FORT SMITH COMM - 26-1318597 7301 ROGERS AVENUE FORT SMITH, AR 72917	PHYSICIAN CLINIC	ARKANSAS	501C3	9	MERCY HEALTH FORT SMITH COMM	X	
MERCY CLINIC HOT SPRINGS COMM - 26-1125131 1 MERCY LANE HOT SPRINGS, AR 71913	PHYSICIAN CLINIC	ARKANSAS	501C3	9	MERCY HEALTH HOT SPRINGS COMM	X	
MERCY CLINIC OKLAHOMA COMM - 27-0473057 4300 W, MEMORIAL ROAD OKLAHOMA CITY, OK 73120	PHYSICIAN GROUP/CLINIC	OKLAHOMA	501C3	9	MERCY HEALTH OK COMMUNITIES	X	
MERCY CLINIC SPRINGFIELD COMM - 43-1560263 1965 FREMONT STREET, SUITE 2950 SPRINGFIELD, MO 65804	PHYSICIAN GROUP	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY FAMILY CENTER - 72-1069468 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	FAMILY COUNSELING SERVICES	MISSOURI	501C3	7	MERCY HEALTH	X	
MERCY FDTN HEALTH INNOV - 20-0901499 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	FOUNDATION	MISSOURI	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH - 43-1423050 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	HEALTH SYSTEM - CORPORATE OFFICE	MISSOURI	501C3	1	N/A		X
MERCY HEALTH EAST COMMUNITIES - 43-1718408 645 MARYVILLE CTR DR STE 100 ST, LOUIS, MO 63141	HEALTH SYSTEM	MISSOURI	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH EAST COMMUNITIES - SR - 46-1412322, 645 MARYVILLE CTR DR STE 100, ST, LOUIS, MO 63141	HEALTH SYSTEM	MISSOURI	501C3	11-II	MERCY HEALTH EAST COMMUNITIES	X	
MERCY HEALTH FORT SMITH COMM - 26-1318515 7301 ROGERS AVENUE FORT SMITH, AR 72917	HOLDING COMPANY	ARKANSAS	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH FOUNDATION ARDMORE - 71-0962525 1011 14TH AVENUE NW ARDMORE, OK 73401	FOUNDATION	OKLAHOMA	501C3	11-I	MERCY HOSPITAL ARDMORE	X	

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) No
MERCY HEALTH FOUNDATION BERRYVILLE - 71-0759301, 214 CARTER STREET, BERRYVILLE, AR 72616	FOUNDATION	ARKANSAS	501C3	11-I	MERCY HOSPITAL BERRYVILLE	X	
MERCY HEALTH FOUNDATION FT SCOTT - 48-1077073, 401 WOODLAND HILLS BLVD, FORT SCOTT, KS 66701	FOUNDATION	KANSAS	501C3	11-III	MERCY KANSAS COMMUNITIES, INC.	X	
MERCY HEALTH FOUNDATION FT SMITH - 23-7330425, 7301 ROGERS AVENUE, FORT SMITH, AR 72917	FOUNDATION	ARKANSAS	501C3	7	MERCY HOSPITAL FORT SMITH	X	
MERCY HEALTH FOUNDATION HOT SPRINGS - 71-0804718, 300 WERNER STREET, HOT SPRINGS, AR 71913	FOUNDATION	ARKANSAS	501C3	11-II	MERCY HOSPITAL HOT SPRINGS	X	
MERCY HEALTH FOUNDATION INDEPENDENCE - 48-1079981, 800 W. MYRTLE, INDEPENDENCE, KS 67301	FOUNDATION	KANSAS	501C3	11-I	MERCY KANSAS COMMUNITIES, INC.	X	
MERCY HEALTH FOUNDATION JEFFERSON - 46-2797051, 1400 U.S. HIGHWAY 61 SOUTH, FESTUS, MO 63028	FOUNDATION	MISSOURI	501C3	11-II	MERCY HEALTH EAST COMMUNITIES - SR	X	
MERCY HEALTH FOUNDATION JOPLIN - 27-0906136 2817 ST. JOHNS BLVD JOPLIN, MO 64804	FOUNDATION	MISSOURI	501C3	11-I	MERCY HEALTH SW MO/KS COMM	X	
MERCY HEALTH FOUNDATION NW ARK - 71-0601687 2710 RIFE MEDICAL LN ROGERS, AR 72858	FOUNDATION	ARKANSAS	501C3	11-III	MERCY HOSPITAL ROGERS	X	
MERCY HEALTH FOUNDATION OK CITY - 73-1593024 4300 W. MEMORIAL ROAD OKLAHOMA CITY, OK 73120	FOUNDATION	OKLAHOMA	501C3	11-I	MERCY HOSPITAL OKLAHOMA CITY	X	
MERCY HEALTH FOUNDATION OF OK - 45-4732301 4300 W. MEMORIAL ROAD OKLAHOMA CITY, OK 73120	FOUNDATION	OKLAHOMA	501C3	11-I	MERCY HEALTH OK COMMUNITIES	X	
MERCY HEALTH FOUNDATION SPRINGFIELD - 32-0195818, 1235 E. CHEROKEE STREET, SPRINGFIELD, MO 65804	FOUNDATION	MISSOURI	501C3	11-II	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY HEALTH FOUNDATION STL - 56-2410020 615 SOUTH NEW BALLAS ROAD ST. LOUIS, MO 63141	FOUNDATION	MISSOURI	501C3	11-II	MERCY HEALTH EAST COMMUNITIES	X	

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) No
MERCY HEALTH FOUNDATION WASHINGTON - 56-2410022, 901 E. FIFTH STREET, WASHINGTON, MO 63090	FOUNDATION	MISSOURI	501C3	11-II	MERCY HEALTH EAST COMMUNITIES	X	
MERCY HEALTH HOT SPRINGS COMM - 26-1125064 300 WERNER STREET HOT SPRINGS, AR 71913	HOLDING COMPANY	ARKANSAS	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH NW ARK COMMUNITIES - 62-1684203 2710 RIFE MEDICAL LN ROGERS, AR 72758	PHYSICIAN GROUP	ARKANSAS	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH OK COMMUNITIES - 73-1453048 4300 W. MEMORIAL ROAD OKLAHOMA CITY, OK 73120	HOLDING COMPANY	OKLAHOMA	501C3	11-II	MERCY HEALTH		X
MERCY HEALTH SW MO/KS COMM - 30-0584463 2817 ST. JOHNS BLVD JOPLIN, MO 64804	HEALTH SYSTEM	MISSOURI	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH SPRINGFIELD COMM - 43-1856028 1235 E. CHEROKEE STREET SPRINGFIELD, MO 65804	HOLDING COMPANY	MISSOURI	501C3	11-II	MERCY HEALTH	X	
MERCY HEALTH SYSTEM TX - 74-2764727 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	INACTIVE	TEXAS	501C3	11-II	MERCY HEALTH	X	
MERCY HOME HEALTH BERRYVILLE - 87-0781247 804 W FREEMAN, SUITE 4 BERRYVILLE, AR 72616	HOME HEALTH AND HOSPICE OPERATIONS.	ARKANSAS	501C3	11-III	MERCY HOSPITAL SPRINGFIELD	X	
MERCY HOSPITAL ADA, INC. - 46-2288155 430 N. MONTE VISTA STREET ADA, OK 74820	HOSPITAL	OKLAHOMA	501C3	3	MERCY HEALTH OK COMMUNITIES	X	
MERCY HOSPITAL AURORA - 43-1936696 500 PORTER AVENUE AURORA, MO 65605	OPERATING CO FOR LEASED HOSP	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY HOSPITAL BERRYVILLE - 71-0759299 214 CARTER STREET BERRYVILLE, AR 72616	HOSPITAL	ARKANSAS	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY HOSPITAL CARTHAGE - 45-3808607 3125 DR. RUSSELL SMITH WAY CARTHAGE, MO 64836	HOSPITAL	MISSOURI	501C3	3	MERCY HEALTH SW MO/KS COMM	X	

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) No
MERCY HOSPITAL CASSVILLE - 43-1936699 94 MAIN STREET CASSVILLE, MO 65625	OPERATING CO FOR LEASED HOSP	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY HOSPITAL COLUMBUS - 27-0842031 220 PENNSYLVANIA AVENUE COLUMBUS, KS 66725	CRITICAL ACCESS HOSPITAL	MISSOURI	501C3	9	MERCY HEALTH SW MO/KS COMM	X	
MERCY HOSPITAL EL RENO - 27-2716065 2115 PARKVIEW DRIVE EL RENO, OK 73036	OPERATING CO FOR LEASED HOSP	OKLAHOMA	501C3	3	MERCY HEALTH OK COMMUNITIES	X	
MERCY HOSPITAL FORT SMITH - 71-0240352 7301 ROGERS AVENUE FORT SMITH, AR 72917	HOSPITAL	ARKANSAS	501C3	3	MERCY HEALTH FORT SMITH COMM	X	
MERCY HOSPITAL HEALDTON, INC. - 26-3173902 918 SOUTH 8TH STREET HEALDTON, OK 73438	OPERATING CO FOR HOSP	OKLAHOMA	501C3	3	MERCY HOSPITAL ARDMORE, INC.	X	
MERCY HOSPITAL HOT SPRINGS - 71-0236913 300 WERNER STREET HOT SPRINGS, AR 71913	HOSPITAL	ARKANSAS	501C3	3	MERCY HEALTH HOT SPRINGS COMM	X	
MERCY HOSPITAL JEFFERSON - 43-0687077 1400 HIGHWAY 61 SOUTH FESTUS, MO 63028	HOSPITAL	MISSOURI	501C3	3	MERCY HEALTH EAST COMMUNITIES - SR	X	
MERCY HOSPITAL JOPLIN - 27-0814858 2817 ST. JOHNS BLVD JOPLIN, MO 64804	HOSPITAL	MISSOURI	501C3	9	MERCY HEALTH SW MO/KS COMM	X	
MERCY HOSPITAL LEBANON - 43-1767432 100 HOSPITAL DRIVE LEBANON, MO 65536	HOSPITAL	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY HOSPITAL LOGAN COUNTY, INC. - 45-2998842, 200 SOUTH ACADEMY, GUTHRIE, OK 73044	HOSPITAL	OKLAHOMA	501C3	3	MERCY HEALTH OK COMMUNITIES	X	
MERCY HOSPITAL OF LAREDO - 74-1189682 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	INACTIVE	TEXAS	501C3	3	MERCY HEALTH SYSTEM TX	X	
MERCY HOSPITAL OKLAHOMA CITY - 73-0579285 4300 W. MEMORIAL ROAD OKLAHOMA CITY, OK 73120	HOSPITAL	OKLAHOMA	501C3	3	MERCY HEALTH OK COMMUNITIES	X	

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) No
MERCY HOSPITAL OZARK - 71-0689680 801 W. RIVER STREET OZARK, AR 72949	HOSPITAL	ARKANSAS	501C3	3	MERCY HOSPITAL FORT SMITH	X	
MERCY HOSPITAL PARIS - 71-0655753 500 E. ACADEMY PARIS, AR 72855	HOSPITAL	ARKANSAS	501C3	3	MERCY HOSPITAL FORT SMITH	X	
MERCY HOSPITAL ROGERS - 71-0294390 2710 RIFE MEDICAL LN ROGERS, AR 72758	HOSPITAL	ARKANSAS	501C3	3	MERCY HEALTH NW ARK COMMUNITIES	X	
MERCY HOSPITAL SPRINGFIELD - 44-0552485 1235 E. CHEROKEE STREET SPRINGFIELD, MO 65804	HOSPITAL	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY HOSPITAL TISHOMINGO - 27-4433830 1000 SOUTH BYRD TISHOMINGO, OK 73460	HOSPITAL	OKLAHOMA	501C3	3	MERCY HOSPITAL ARDMORE	X	
MERCY HOSPITAL WALDRON - 71-0557895 1341 W. 6TH STREET WALDRON, AR 72958	HOSPITAL	ARKANSAS	501C3	3	MERCY HOSPITAL FORT SMITH	X	
MERCY HOSPITAL WATONGA, INC. - 45-5199762 500 CLARENCE NASH BLVD WATONGA, OK 73772	LEASED HOSPITAL	OKLAHOMA	501C3	3	MERCY HEALTH OK COMMUNITIES	X	
MERCY HOSPITALS EAST COMM - 43-0653493 645 MARYVILLE CTR DR STE 100 ST. LOUIS, MO 63141	HOSPITAL	MISSOURI	501C3	3	MERCY HEALTH EAST COMMUNITIES	X	
MERCY KANSAS COMMUNITIES, INC. - 48-0956045 401 WOODLAND HILLS BLVD FT. SCOTT, KS 66701	HOSPITAL;RURAL HEALTH CLINICS	KANSAS	501C3	3	MERCY HEALTH SW MO/KS COMM	X	
MERCY MEDICAL RESEARCH INST - 87-0796305 1235 E. CHEROKEE STREET SPRINGFIELD, MO 65804	RESEARCH - CLINICAL TRIALS	MISSOURI	501C3	4	MERCY HEALTH SPRINGFIELD COMM	X	
MERCY MINISTRIES OF LAREDO - 20-0198462 2500 ZACATECAS LAREDO, TX 78043	HEALTHCARE, OUTREACH,FOOD PANTRY	TEXAS	501C3	7	MERCY HEALTH	X	
MERCY ST. FRANCIS HOSPITAL - 44-0607149 100 W. HIGHWAY 60 MOUNTAIN VIEW, MO 65548	HOSPITAL	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	

Part II **Continuation of Identification of Related Tax-Exempt Organizations**

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) No
MERCY SUPPORT SERVICES - 43-1677952 615 S. NEW BALLAS ROAD ST. LOUIS, MO 63141	INACTIVE	MISSOURI	501C3	11-III	MERCY HOSPITALS EAST COMM	X	
MHM SUPPORT SERVICES - 20-2553101 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	CENTRALIZED HEALTH SYSTEM FUNCTIONS	MISSOURI	501C3	11-II	MERCY HEALTH	X	
MISSION CLINICAL SERVICES - 13-4239691 300 WERNER STREET HOT SPRINGS, AR 71913	PHYSICIAN CLINICS	ARKANSAS	501C3	9	MERCY HEALTH HOT SPRINGS COMM	X	
ST. JOHNS CHILDRENS HOSP 1235 E. CHEROKEE STREET SPRINGFIELD, MO 65804	INACTIVE	MISSOURI	501C3	3	MERCY HEALTH SPRINGFIELD COMM	X	
ST. MARYS HOSP ENID OK - 73-0614655 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	INACTIVE	OKLAHOMA	501C3	3	MERCY HEALTH OK COMMUNITIES	X	
THE SR M CORNELIA BLASKO FN - 43-1873914 100 W. HIGHWAY 60 MOUNTAIN VIEW, MO 65548	FOUNDATION	MISSOURI	501C3	11-I	MERCY ST. FRANCIS HOSPITAL	X	
UNITY AMBULATORY CARE - 43-1861745 14528 S OUTER FORTY ST 100 CHESTERFIELD, MO 63017	INACTIVE	MISSOURI	501C3	11-III	MERCY HEALTH EAST COMMUNITIES	X	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
SOUTHERN OKLAHOMA DIAG CTR, LLC - 43-1971232, 1011 FOURTEENTH AVENUE NW, ARDMORE, OK 73401	MRI SERVICES	OK	MERCY HOSPITAL ARDMORE, INC.	RELATED				X	N/A		X	
RESOURCE OPTIMIZ & INNOV,LLC - 46-0468368, 645 MARYVILLE CTR DR,STE 200, ST. LOUIS, MO 63141	CENTRAL DISTRIBUTION CENTER	MO	MHN, INC - MHNSR, INC.	N/A				X	N/A		X	
MERCY AMBULATORY SURGERY CENTER, LLC - 71-0827721, 7301 ROGERS AVENUE, FORT SMITH, AR 72917	AMBULATORY SURGERY CENTER	AR	MERCY HOSPITAL FORT SMITH	N/A				X	N/A		X	
FORT SMITH EMERGENCY MEDICAL SERVICES - 71-0416615, 1701 SOUTH GREENWOOD, FORT SMITH, AR 72901	EMERGENCY MEDICAL SERVICES	AR	MERCY HOSPITAL FORT SMITH	N/A				X	N/A		X	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) No
MERCY COMM SERVICES, INC. - 48-1078101 401 WOODLAND HILLS BLVD, FORT SCOTT, KS 66701	RETAIL PHARMACY	KS	MERCY KANSAS COMM INC	C CORP					X
FRONTENAC PROPERTIES, INC. - 52-1914421 14528 S. OUTER FORTY, SUITE 100 CHESTERFIELD, MO 63017	HOLDS ANCILLARY ASSETS & OWNS AIRCRAFT	DE	MERCY HEALTH	C CORP					X
INVENO HEALTH, INC. - 26-4509571 1235 E. CHEROKEE STREET SPRINGFIELD, MO 65804	TECHNOLOGY TRANSFER COMPANY	MO	MERCY HEALTH SPRINGFIELD COMM	C CORP					X
UNITY SUPPORT SERVICES, INC. - 43-1797042 645 MARYVILLE CENTRE DRIVE, SUITE 100 ST. LOUIS, MO 63141	INACTIVE	MO	MERCY HEALTH EAST COMMUNITIES	C CORP					X
UH L CORP., INC. - 74-2499535 645 MARYVILLE CENTRE DRIVE, SUITE 100 ST. LOUIS, MO 63141	HOLDING COMPANY	MO	MERCY HEALTH SERVICES, LLC	C CORP					X

Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
ST. EDWARD MERCY MC M-P OFFICE BLDG - 71-0554050, 7301 ROGERS AVENUE, FORT SMITH, AR 72903	OFFICE BUILDING	AR	MERCY HOSPITAL FORT SMITH	N/A				X	N/A		X	

Part IV Continuation of Identification of Related Organizations Taxable as a Corporation or Trust

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity? Yes	(i) Section 512(b)(13) controlled entity? No
MHN OF THE SOUTHERN REGION, INC. - 73-1580607, 1011 14TH AVENUE NW, ARDMORE, OK 73401	HOLDING COMPANY	OK	MERCY MANAGED CARE CORP	C CORP					X
MERCY HEALTH CENTER CONDOMINIUM, INC. - 68-0640970, 4300 W. MEMORIAL RD., OKLAHOMA CITY, OK 73120	ADMINISTRATOR OF CERTAIN REAL PROPERTY AND IMPROVEMENTS	OK	MERCY HOSPITAL OKLAHOMA CITY,INC	C CORP					X
MERCY MANAGED CARE CORPORATION - 73-1441665 4300 W. MEMORIAL ROAD OKLAHOMA CITY, OK 73120	HOLDING COMPANY	OK	MERCY HEALTH	C CORP					X
MERCY HEALTH NETWORK, INC. - 73-1381689 4300 W. MEMORIAL ROAD OKLAHOMA CITY, OK 73120	HOLDING COMPANY	OK	MERCY MANAGED CARE CORP	C CORP					X
APOTHECARY SERVICES, INC. - 43-1627267 P.O. BOX 350 CRYSTAL CITY, MO 63019	RETAIL PHARMACY	MO	MERCY HOSPITAL JEFFERSON	C CORP					X

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

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule		Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a		X
b Gift, grant, or capital contribution to related organization(s)	1b		X
c Gift, grant, or capital contribution from related organization(s)	1c	X	
d Loans or loan guarantees to or for related organization(s)	1d		X
e Loans or loan guarantees by related organization(s)	1e		X
f Dividends from related organization(s)	1f		X
g Sale of assets to related organization(s)	1g		X
h Purchase of assets from related organization(s)	1h		X
i Exchange of assets with related organization(s)	1i		X
j Lease of facilities, equipment, or other assets to related organization(s)	1j	X	
k Lease of facilities, equipment, or other assets from related organization(s)	1k		X
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		X
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	X	
o Sharing of paid employees with related organization(s)	1o	X	
p Reimbursement paid to related organization(s) for expenses	1p	X	
q Reimbursement paid by related organization(s) for expenses	1q	X	
r Other transfer of cash or property to related organization(s)	1r		X
s Other transfer of cash or property from related organization(s)	1s		X

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) MERCY CLINIC OKLAHOMA COMMUNITIES, INC.	P	4,048,988.	FMV
(2) MERCY HEALTH	P	245,106.	FMV
(3) MERCY HEALTH FOUNDATION ARDMORE, INC.	P	385,168.	FMV
(4) MERCY HEALTH HOT SPRINGS COMMUNITIES	Q	54,296.	FMV
(5) MERCY HEALTH OKLAHOMA COMMUNITIES, INC.	P	13,386,226.	FMV
(6) MERCY HOSPITAL AURORA	Q	51,971.	FMV

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

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(7)MERCY HOSPITAL EL RENO, INC.	Q	285,186.	FMV
(8)MERCY HOSPITAL HEALDTON, INC.	P	1,337,344.	FMV
(9)MERCY HOSPITAL LOGAN COUNTY, INC.	Q	516,319.	FMV
(10)MERCY HOSPITAL OKLAHOMA CITY, INC.	Q	102,694,506.	FMV
(11)MERCY HOSPITALS EAST COMMUNITIES	P	496,581.	FMV
(12)MHM SUPPORT SERVICES	P	24,837,030.	FMV
(13)RESOURCE OPTIMIZATION & INNOVATION, LLC	P	4,244,346.	FMV
(14)SOUTHERN OKLAHOMA DIAGNOSTIC CENTER, LLC	P	50,585.	FMV
(15)MERCY HEALTH FOUNDATION ARDMORE, INC.	C	5,039,122.	FMV
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			

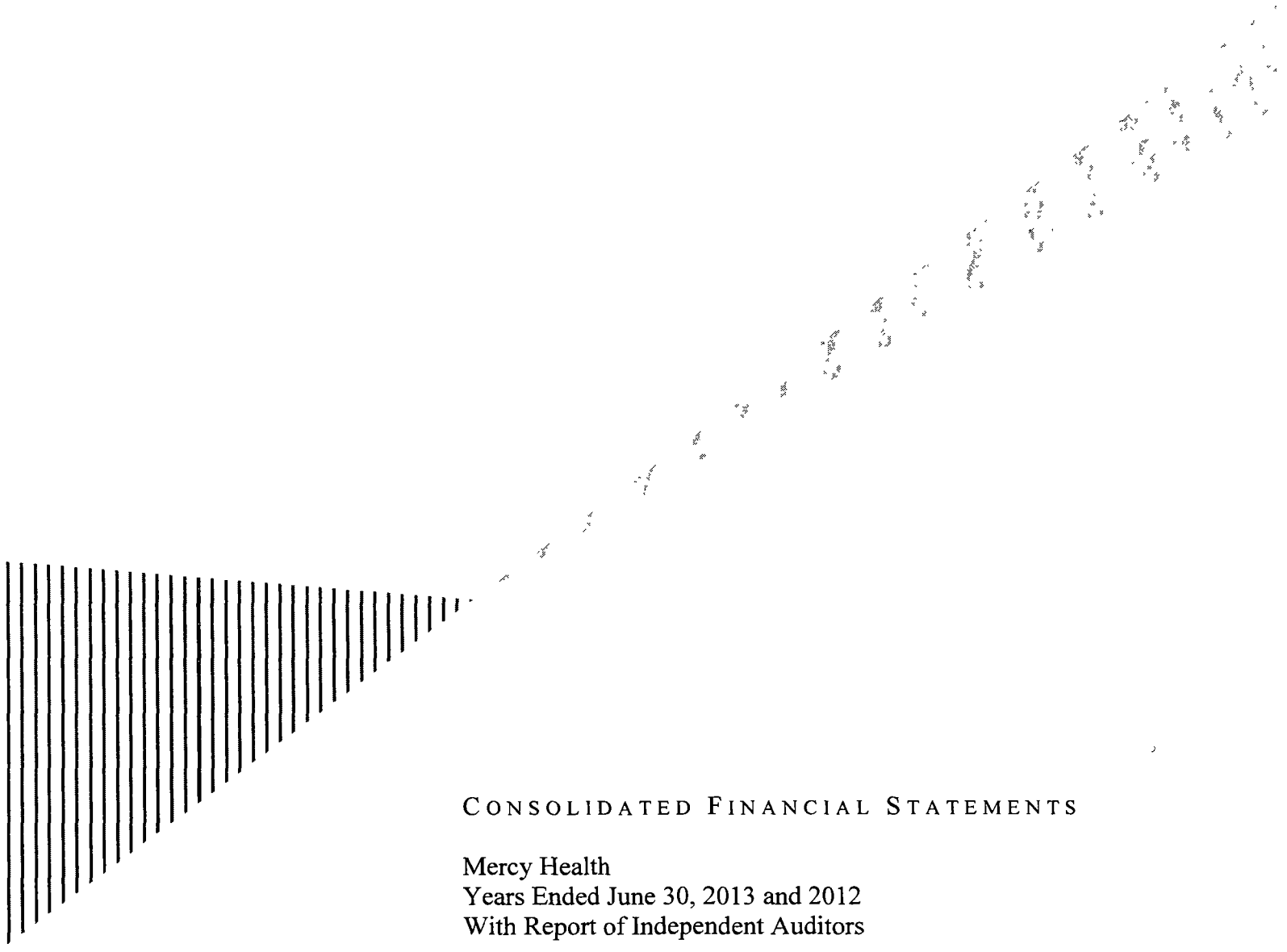
Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to Form 990, Part IV, line 37)

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

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

Part VII Supplemental Information

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



CONSOLIDATED FINANCIAL STATEMENTS

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

Ernst & Young LLP

ERNST & YOUNG

Mercy Health

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

The Board of Directors
Mercy Health

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Ernst & Young LLP

September 25, 2013

Mercy Health

Consolidated Balance Sheets
(In Thousands)

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

See accompanying notes.

Mercy Health

Consolidated Statements of Operations
(In Thousands)

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

See accompanying notes.

Mercy Health

Consolidated Statements of Changes in Net Assets
(In Thousands)

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

See accompanying notes.

Mercy Health

Consolidated Statements of Cash Flows
(In Thousands)

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

Mercy Health

Consolidated Statements of Cash Flows (continued)

(In Thousands)

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

See accompanying notes

Mercy Health

Notes to Consolidated Financial Statements
(Tables in Thousands)

June 30, 2013

1. Organization

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

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

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

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

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

1. Organization (continued)

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

Significant Acquisitions and Divestitures

Acquisitions

Subsidiaries of the Health System entered into asset purchase agreements to make certain acquisitions, including a hospital, physician practices, an ambulatory surgery center, several medical office buildings, and other assets for a gross purchase price of approximately $272.6 million ($224.7 million net of cash acquired) in fiscal 2013 and $35.4 million ($30.3 million net of cash acquired) in fiscal 2012, respectively. All of these transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities*.

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

The operating results of entities acquired are included in the Health System's consolidated financial statements from the date of acquisition. Operating revenues of the entities acquired in fiscal 2013 included in the consolidated statement of operations was $143.6 million for the year ended June 30, 2013. Operating revenues of the entities acquired in fiscal 2012 included in the consolidated statement of operations was $55.4 million for the year ended June 30, 2012.

On an unaudited pro forma basis, had the Health System completed the fiscal 2013 acquisitions as of the beginning of each fiscal year presented, the acquisitions would have reported $226.6 million and $227.2 million in additional operating revenues in fiscal year 2013 and 2012, respectively, and $2.7 million and $5.0 million in additional excess of revenues over expenses for the years ended June 30, 2013 and 2012, respectively. However, the unaudited pro forma information is not necessarily indicative of the historical results that would have been obtained had the transactions actually occurred on those dates, nor of future results.

(Tables in Thousands)

1. Organization (continued)

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

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

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

*The Health System assumed $36.1 million of debt related to a fiscal 2013 acquisition. On February 1, 2013, as part of a purchase agreement, the Health System legally defeased and paid off the long-term obligations for $39.3 million, including principal, interest, and early payment penalties.

1. Organization (continued)

Letter of Intent

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

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

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

2. Summary of Significant Accounting Policies (continued)

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

Asset Impairment

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

Other Assets

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

Goodwill

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

2. Summary of Significant Accounting Policies (continued)

Net Assets

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

Net Patient Service Revenues and Patient Accounts Receivable

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

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

2. Summary of Significant Accounting Policies (continued)

Retroactive third-party adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known. Adjustments to revenue based on prior periods increased net patient service revenues by approximately $13.0 million and $30.0 million in 2013 and 2012, respectively, due to revised estimates consisting primarily of retroactive third-party adjustments for years that are subject to audits, reviews, and investigations. Included in the $30.0 million recognized in 2012 is $16.6 million which relates to the Medicare Rural Floor Budget Neutrality Act settlement (Settlement). This Settlement with Centers for Medicare and Medicaid Services involved approximately 2,200 hospitals nationwide and was made to resolve a challenge made by the plaintiff hospitals for underpayment of inpatient Medicare services dating back to 1999.

Capitation Revenues and Medical Claims Expense

Certain Mercy Subsidiaries have entered into various risk-based contracts with certain health maintenance organizations (HMOs). Under these arrangements, the Subsidiaries receive capitated payments based on the demographic characteristics of covered members in exchange for providing certain medical services to those members. These payments are reflected as capitation revenues in the consolidated statements of operations. The Subsidiaries recognize medical claims expense for services provided. The medical claims expense represents claims paid, claims reported but not yet paid, and an estimate of claims incurred but not reported (IBNR). The claims IBNR amount is estimated based upon prior experience modified for current trends. The claims IBNR amount was $11.7 million and $21.0 million at June 30, 2013 and 2012, respectively, and was included in accrued liabilities and other in the consolidated balance sheets.

2. Summary of Significant Accounting Policies (continued)

Electronic Health Record Incentive Program

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible physicians and hospitals (collectively providers) that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four to five year period ending in 2016. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate continued meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

The Health System accounts for EHR incentive payments as other operating revenue. The Health System utilizes a grant accounting model to recognize EHR incentive revenues and records incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that the respective eligible provider will meet the meaningful use objectives for the reporting period and that the grants will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30, and for physicians is based on the calendar year. The Health System recognized revenue of approximately $36.6 million and $49.5 million during the years ended June 30, 2013 and 2012, respectively. The Health System believes that the eligible providers that met meaningful use objectives will continue to meet the objectives through their applicable reporting periods. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. In addition, the Health System's compliance with the meaningful use criteria is subject to audit by the federal government.

In addition, the Health System has an incentive program with its physicians whereby the Health System compensates eligible physicians if certain criteria are met. The Health System expensed approximately $14.0 million and $16.7 million for incentives paid to physicians for the years ended June 30, 2013 and 2012, respectively. These amounts are included in salaries and benefits in the accompanying consolidated statements of operations. The net amount reflected in the consolidated statements of operations for the EHR incentive program is $22.6 million and $32.8 million for the years ended June 30, 2013 and 2012, respectively.

2. Summary of Significant Accounting Policies (continued)

Services to the Community

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

Because the Health System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as net patient service revenue. The cost of traditional charity care was $116.3 million and $126.8 million in 2013 and 2012, respectively. The Health System estimates cost of charity care using a calculated ratio of costs to charges by hospital and applies that ratio to the relevant gross charges respectively, less any payments received.

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

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

2. Summary of Significant Accounting Policies (continued)

Investments

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

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

Derivative Financial Instruments

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

2. Summary of Significant Accounting Policies (continued)

Pledges, Bequests, and Gifts for Specific Purposes

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

Unconditional promises to give, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Net pledges receivable of $3.3 million and $7.0 million were included in other current assets and other assets, respectively, at June 30, 2013. Net pledges receivable of $3.1 million and $7.9 million were included in other current assets and other assets, respectively, at June 30, 2012.

Functional Classification of Expenses

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

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

2. Summary of Significant Accounting Policies (continued)

Operating Indicator

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

Performance Indicator

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

Operating and Nonoperating Gains (Losses)

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

Use of Estimates

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

(Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery

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

At the date of the tornado, the Health System maintained insurance coverage of $750 million, which covered emergency response, temporary facilities, property damage, business interruption, and related costs, subject to a $50,000 deductible. The claim has been final settled as of December 2012. As of June 30, 2013, the Health System has received $733.4 million in total insurance proceeds related to this event. The breakdown between fiscal 2013 and 2012 is described below.

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

As a result of settling the claim, an impairment charge of $65.1 million was recorded to reduce certain assets, primarily temporary facilities, to fair value. The impairment is netted against 2013 Joplin insurance proceeds in the accompanying consolidated statements of operations.

(Tables in Thousands)

3. Joplin Operations and Related Insurance Recovery (continued)

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

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

(Tables in Thousands)

4. Net Patient Service Revenue and Patient Receivables

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

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

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

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

(Tables in Thousands)

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

The allowance for uncollectible receivables was approximately $203.8 million and $171.0 million as of June 30, 2013 and 2012, respectively. These balances as a percent of accounts receivable net of contractual allowances were approximately 25% as of June 30, 2013 and 2012. The Health System's allowance for uncollectible receivables covered approximately 60% and 54% of self-pay patient receivables, including patient responsibility, as of June 30, 2013 and 2012, respectively. The Health System has experienced an increase in write-off trends related to bad debt and charity driven by higher unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances. The Health System reviews and updates its uninsured discount rate on an annual basis. There have been no significant changes to the charity care policies for the years ended June 30, 2013 or 2012. The Health System does not maintain a material allowance for uncollectible receivables from third-party payors, nor did it have significant writeoffs from third-party payors.

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

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

(Tables in Thousands)

5. Investments

The following is a summary of investments:

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

The following is a summary of investments by classification:

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

(Tables in Thousands)

5. Investments (continued)

The following is a summary of investment returns:

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

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

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

5. Investments (continued)

pricing and illiquidity of underlying investments, it is common practice for private equity funds to require investors to commit to a ten-year investment period, although the distribution of capital is likely to occur prior to the ten-year termination date. These investments may also employ leverage, which may lead to additional risk of loss. These investments are subject to market risk, default risk, interest rate risk, and credit risk as well as various other types of risks. At June 30, 2013, the Health System has commitments to fund $72.2 million in these investments.

At the balance sheet dates, receivables and payables for investment trades not settled are presented with other current assets and other current liabilities. Unsettled sales resulted in receivables due from brokers of $186.6 million and $196.6 million at June 30, 2013 and 2012, respectively. Unsettled buys resulted in payables of $144.2 million and $164.5 million at June 30, 2013 and 2012, respectively.

6. Fair Value Measurements

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

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

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

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

(Tables in Thousands)

6. Fair Value Measurements (continued)

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

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

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

(Tables in Thousands)

6. Fair Value Measurements (continued)

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

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

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

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

(Tables in Thousands)

6. Fair Value Measurements (continued)

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

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

Investments in the fair value tables above exclude alternative investments, which are recorded under the equity method of accounting, of $433.9 million and $370.0 million at June 30, 2013 and 2012, respectively. Investments in the fair value tables above also exclude land held for investment, which is recorded at cost, of $15.4 million at June 30, 2013 and 2012.

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

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

6. Fair Value Measurements (continued)

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

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

The carrying values of cash and cash equivalents, accounts receivable, pledges receivable, and current liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments. The fair value of the Health System's fixed-rate bonds is based on quoted market prices for the same or similar issues and approximates $235.6 million and $7.2 million as of June 30, 2013 and 2012, respectively, which is a level 2 measurement. The carrying amount approximates fair value for all other long-term debt, which is variable rate, and excludes the impact of third-party credit enhancements.

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

(Tables in Thousands)

7. Property and Equipment

The following is a summary of property and equipment:

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

At June 30, 2013, construction and software-related contracts and commitments exist for capital improvements at certain of the Health System's facilities. The remaining commitment on these contracts at June 30, 2013 was approximately $298.8 million, out of which $239.7 million relates to the construction of the new hospital in Joplin. During the years ended June 30, 2013 and 2012, interest of $3.6 million and $0.8 million, respectively, was capitalized.

8. Other Assets

The following is a summary of other assets:

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

(Tables in Thousands)

9. Goodwill

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

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

10. Liability Programs

The Health System administers a liability program to provide for general and professional liability risks within certain limits. Health care professional liabilities in excess of self-insured limits are insured on a claims-made basis subject to an annual maximum of $20.0 million over the self-insured retention of $10.0 million, after which the Health System would again be responsible. The recorded liabilities are based upon actuarial estimates of reported claims and IBNR claims using historical claim experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 4.75% for 2013 and 2012. The discounted general and professional liability was $135.3 million and $130.9 million at June 30, 2013 and 2012, respectively, which is included in accrued liabilities and insurance reserves in the accompanying consolidated balance sheets.

11. Employee Retirement Plans

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

(Tables in Thousands)

11. Employee Retirement Plans (continued)

balance-type formula. The cash balance formula provided an annual pay credit, based on employee compensation and years of service, and an interest credit based on the 30-year U.S. Treasury bill rate, subject to a floor of 5.25%. Effective June 30, 2011, the Plan was closed to new entrants, and pay credits ceased. Interest credits continue to be paid under the Plan. The Plan is funded consistent with actuarial funding recommendations.

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

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

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

(Tables in Thousands)

11. Employee Retirement Plans (continued)

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

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

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

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

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

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

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

(Tables in Thousands)

11. Employee Retirement Plans (continued)

The estimated net actuarial loss and prior service cost included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ending June 30, 2014, are $10.6 million and $0.5 million, respectively. The impact of the change in discount rate on the projected benefit obligation of the plan was a decrease of approximately $32.6 million for the year ended June 30, 2013, and an increase of approximately $71.3 million for the year ended June 30, 2012.

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

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

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

	Projected Benefit Obligation		Net Periodic Benefit Costs	
	2013	**2012**	**2013**	**2012**
Discount rates	**4.35–4.60%**	4.05–4.20%	**4.05–4.20%**	5.00–5.15%
Rates of salary increase	**5.00**	5.00	**5.00**	6.00
Expected long-term return on plan assets	**8.00**	8.15	**8.15**	8.15

(Tables in Thousands)

11. Employee Retirement Plans (continued)

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

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

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

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

(Tables in Thousands)

11. Employee Retirement Plans (continued)

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

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

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

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

(Tables in Thousands)

11. Employee Retirement Plans (continued)

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

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

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

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in hedge funds and private equity funds. Valuations provided by the respective fund's management include variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price. The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 24 months in the case of hedge funds and up to 10 years for private equity funds. At June 30, 2013, the Plan has commitments to fund $32.6 million in these investments.

(Tables in Thousands)

11. Employee Retirement Plans (continued)

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

The Health System expects to contribute at least $3.0 million to the Plan during fiscal 2014.

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

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

(Tables in Thousands)

11. Employee Retirement Plans (continued)

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

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

For the years ended June 30, 2013 and 2012, the total expenses incurred related to the 401(k) and 403(b) plans were $89.6 million and $79.4 million, respectively.

12. Long-Term Obligations

The following is a summary of long-term obligations:

	June 30	
	2013	**2012**
Revenue bonds, fixed interest rates of 3.0-5.0% due 2014 through 2042	**$ 260,742**	$ 6,500
Revenue bonds, variable interest rates with weighted-average interest rates of 0.60% and 0.50% in fiscal 2013 and 2012, respectively, due through June 2039	**728,475**	742,075
Other notes, mortgage notes, and capital lease obligations	**102,060**	82,847
	1,091,277	831,422
Less current maturities of long-term obligations	**(20,366)**	(21,218)
Long-term obligations, less current maturities	**$ 1,070,911**	$ 810,204

12. Long-Term Obligations (continued)

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

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

Mercy has auction-rate securities aggregating to $378.3 million. The interest rate is set through a weekly auction process among bond investors. Starting in fiscal 2008, due to the market-wide financial crisis, institutional buyers and investment banks opted not to participate in the market for securities of this type, causing a failure of the auction process and resulting in the bonds resetting to a maximum rate predefined in the bond agreement based on the higher of the current LIBOR or commercial paper index adjusted for the current rating and current tax rate plus a fixed spread.

In November 2011, $376.4 million of variable rate tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds of these bonds were used to refund the Series 2008 variable rate demand bonds aggregating $376.4 million. These bonds were directly purchased by four banks and mature at various dates between June 1, 2012 and June 1, 2039. Interest is paid monthly at a borrowing rate based on a percentage of one-month LIBOR plus an applicable spread. The bonds include a mandatory put by the purchasing banks in November 2016 and November 2018. Mercy may elect to renegotiate with the initial purchasers, remarket or redeem the bonds.

(Tables in Thousands)

12. Long-Term Obligations (continued)

In December 2012, $250.0 million of fixed rate tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds of these bonds were used to finance all or a portion of several capital projects, including a portion of the new hospital in Joplin, Missouri. The bonds have various maturities between November 15, 2019 and November 15, 2042. Coupon rates were set at 3-4% with yields to maturity ranging from 1.75-3.86%. Most of the bonds were sold at a premium to institutional and retail investors. The net premium paid to the Health System totaled $7.1 million. Issuance costs totaled $2.6 million. The bonds pay interest on May 15 and November 15 of each year, commencing May 15, 2013.

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

In July 2012, as part of an acquisition, the Health System assumed a $21.9 million fixed-rate commercial real estate loan. Interest is paid monthly at an annual rate of 7.25% and the debt matures on December 31, 2014.

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

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

Mercy has $100.0 million of unused 364-day lines of credit with three banks. Agreements terminate on December 11, 2013; however, the Health System anticipates renewal of the agreements. There were no borrowings outstanding under these lines of credit as of June 30, 2013.

13. Derivatives

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

Effective December 4, 2012, the Health System terminated two constant maturity basis swap transactions with a total notional amount of $250 million, resulting in a net payment to the Health System of $4.7 million.

(Tables in Thousands)

13. Derivatives (continued)

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

Interest Rate Swap Type	Expiration Date	Health System Pays	Health System Receives	Notional Value June 30, 2013	Notional Value June 30, 2012
Fixed payor	June 2, 2031	3.36% – 3.751%	70% of one-month LIBOR	**$ 252,200**	$ 252,200
Fixed payor	June 2, 2031	3.848% – 3.856%	70% of one-month LIBOR	**50,000**	50,000
Fixed payor	June 1, 2016	3.94%	67% of one-month LIBOR	**20,750**	29,050
Constant maturity[1]	June 2, 2031	USD-BMA Municipal Swap	89% of 10-year SIFMA Index	–	125,000
Constant maturity[1]	January 1, 2016	89% of 10-year SIFMA Swap Rate	USD-BMA Municipal Swap Index	–	125,000

[1] Terminated December 4, 2012.

The fair value of derivative instruments is as follows:

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

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

(Tables in Thousands)

14. Operating Leases

Rent expense for the years ended June 30, 2013 and 2012, totaled $70.2 million and $66.9 million, respectively.

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

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

Effective August 1, 2013, rent commenced on an operating lease for an orthopedic hospital at one of Mercy's subsidiaries. Future minimum rental payments under the lease agreement are approximately $9.0 million per year over the initial lease term.

15. Commitments and Contingencies

Regulatory Compliance

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

15. Commitments and Contingencies (continued)

Litigation

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

16. Subsequent Events

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

On July 1, 2013, a subsidiary of the Health System executed an agreement to lease a hospital and recorded a capital lease obligation of $42.2 million.

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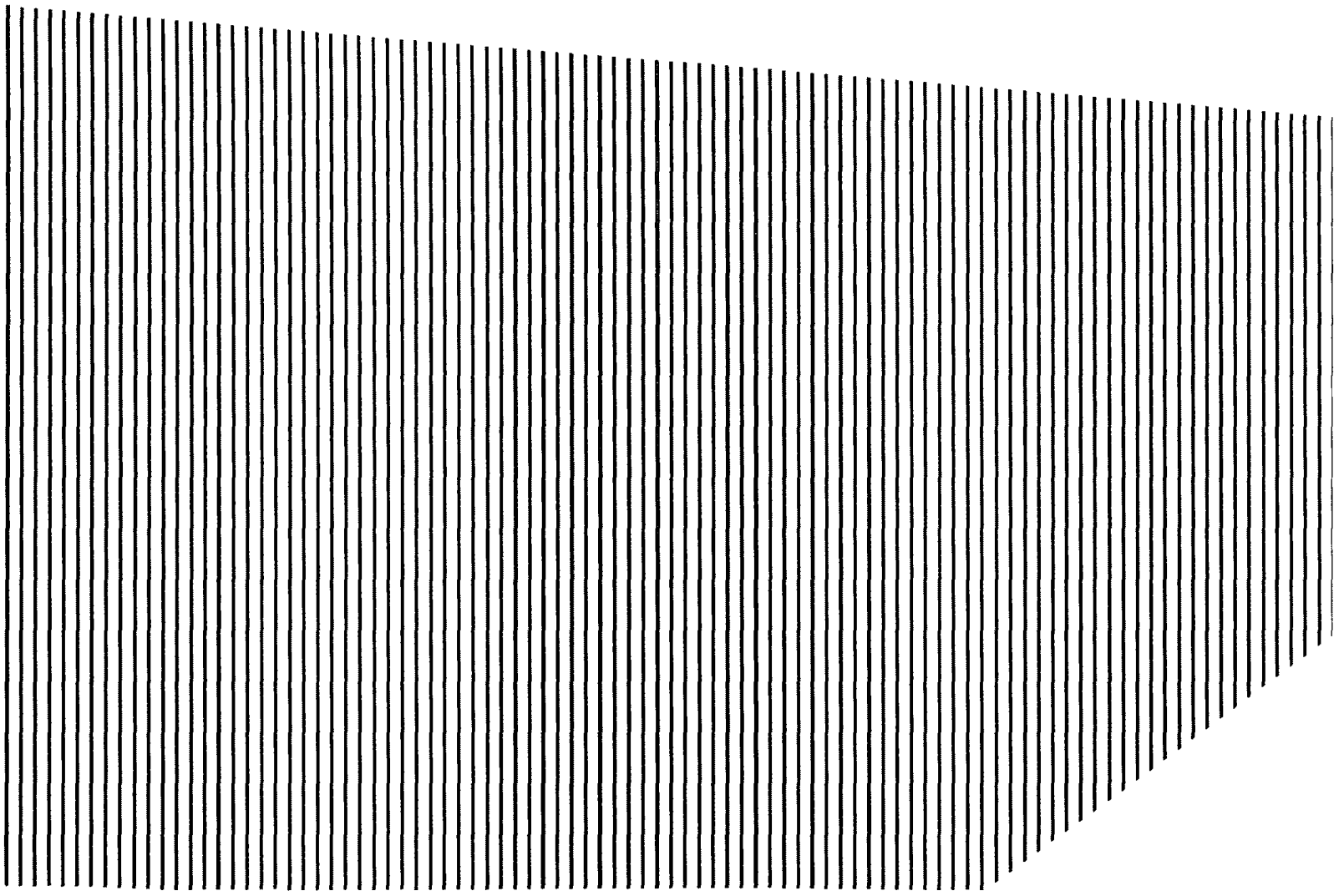

- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box . . ▶ X

Note Only complete Part II if you have already been granted an automatic 3 month extension on a previously filed Form 8868

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1)

Part II **Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions	Employer identification number (EIN) or
File by the due date for filing your return See instructions	MERCY HOSPITAL ARDMORE F/K/A MERCY MEMORIAL HEALTH CENTER, INC.	73-1500629
	Number, street, and room or suite no If a P.O box, see instructions 1011 14TH AVENUE N.W.	Social security number (SSN)
	City, town or post office, state, and ZIP code For a foreign address, see instructions ARDMORE, OK 73401	

Enter the Return code for the return that this application is for (file a separate application for each return) . . . 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990 BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990 T (sec 401(a) or 408(a) trust)	05	Form 6069	11
Form 990 T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ JON VITIELLO 4300 WEST MEMORIAL ROAD - OKLAHOMA CITY, OK 73120
  Telephone No ▶ 405-752-3724 FAX No ▶
- If the organization does not have an office or place of business in the United States, check this box . . . . . ▶ ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ ☐ If it is for part of the group check this box ▶ ☐ and attach a list with the names and EINs of all members the extension is for

4 I request an additional 3-month extension of time until MAY 15, 2014

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

6 If the tax year entered in line 5 is for less than 12 months, check reason ☐ Initial return ☐ Final return ☐ Change in accounting period

7 State in detail why you need the extension
ADDITIONAL TIME IS NEEDED IN ORDER TO GATHER THE INFORMATION NECESSARY TO FILE A COMPLETE AND ACCURATE RETURN.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions	8a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868	8b	$ 0.
c	**Balance due.** Subtract line 8b from line 8a Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions	8c	$ 0.

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ [signature] Title ▶ CPA Date ▶ 2/17/14

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